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FINANCIAL TIMES

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World news Business summary

Opec set to start crucial meeting

The Organisation of Petroleum Exporting Countries meets today in a bid to avert a price war between the world's major oil producers. The meeting is expected to be crucial in determining the future of oil prices.

European bourses reach records

BOURSES in West Germany, the Netherlands, Switzerland and Italy reached new peaks in active trading. Frankfurt was supported by heavy foreign buying of financial and automotive stocks and the Commerzbank index added 13.6 to 1,475.0. Page 18, Page 34

Israeli strike threat

Israeli public employees threatened to demonstrate outside Prime Minister Shimon Peres' office next Tuesday and go on strike afterwards unless the Government withdraws austerity plans.

Setback for Hawke

Prime Minister Bob Hawke's reform proposals to appear in a divided Australia. He bowed to pressure from the unions and averted a controversial part of Keating's plan. Page 4

Politician on trial

Herr Hans-Otto Scholl, former chairman of the Liberal Free Democratic Party in Rheinland-Pfalz, West Germany, went on trial charged with robbing a jeweller's shop at gunpoint and seriously injuring two staff.

FBI hunts killer

The U.S. Federal Bureau of Investigation (FBI) has joined the hunt for the killer of President Ronald Reagan. The FBI is searching for a man who is believed to have fled from the scene of the assassination.

Cheysson in Tunis

European Community Commissioner Claude Cheysson started talks with the Tunisian Government on the effects of Spanish and Portuguese entry into the Common Market next year.

Norwegian appeals

Former Norwegian diplomat Arne Troholt lodged appeals against a 20-year jail sentence for spying for the Soviet Union and Iraq.

Kohl integration bid

West German Chancellor Helmut Kohl said that he would continue to fight for closer political integration in the European Community even at the risk of a major split among member states.

EEC proposals

The European Commission announced new proposals to allow professionals from member states to work where they wish within the community.

Bhopal protest

Police arrested 271 people protesting over losing their jobs when the Union Carbide pesticide factory, site of India's poison gas disaster, is formally closed down next week. Bhopal aftermath, Page 4

Bombay tax raids

Trading on the Bombay Stock Exchange came to a halt when hundreds of tax officials stormed the offices of brokers in a raid to find untaxed money.

W. German arrests

Police have raided a Red Army Faction guerrilla hideout near Frankfurt and arrested two women.

Navratilova v Lloyd

The Wimbledon women's singles final will be between defending champion Martina Navratilova, who beat Zina Garrison 6-4, 7-6 in one semi-final, and Chris Lloyd, who beat Kathy Rinaldi 6-2, 6-0.

Reagan attempt to block Beirut flights may founder

PRESIDENT Ronald Reagan's attempt to secure international agreement on suspending air services to and from Lebanon looks unlikely to win much early support and may founder altogether, write our Foreign Staff.

The U.S. is essentially calling for the withdrawal of landing rights for Middle East Airlines (MEA), which operates out of Beirut, since all major international airlines have already suspended their services to Lebanon in security grounds.

However, many European governments currently accepting MEA services doubt that a suspension is a credible response to the terrorist problem and fear that any precipitate moves may only increase instability within Lebanon.

They are also taking seriously indications coming out of Syria yesterday that Damascus' attempt to secure the release of 12 foreign nationals still held in the Lebanon, including seven Americans, could be adversely affected by punitive action by the U.S. and others.

The Syrian official press yesterday called for an Arab boycott of American airlines if the U.S. attempts to retaliate against the hijacking of the TWA jet. At the same time, the Lebanon said it was planning to protest at the United Nations over U.S. plans to isolate Beirut airport.

News agencies reported from Beirut yesterday that an extremist Shia faction had warned that the seven Americans could face "a black fate" if President Reagan persisted on his present course.

However, Mr George Shultz, the U.S. Secretary of State, has repeated that there will be no backing down on efforts to close Beirut Airport. "We must not only think about the present but also about the future and recognise that we have a place that has become a genuine menace," he said.

MEA operates regular service to at least nine West European countries and none appear ready to take unilateral action. Some, such as Austria, are refusing any kind of boycott. Mr Leopold Gratz, the Austrian Foreign Minister, warned yesterday against measures designed "to hit the wrong ones and to transfer the injustice to terrorism to the whole state of Lebanon."

America's closer allies are treading more gingerly, but they are finding it as difficult to find a common response to Washington's lead as in previous instances of U.S. boycotts over the Iranian hostages, the Soviet invasion of Afghanistan and the Polish repression of Solidarity.

France, which is a 28 per cent shareholder in MEA, has rejected any action against its services, as has Greece. The British Government has taken the middle line, broadly supported by most other EEC countries, of wanting further moves to combat terrorism while insisting that they should be on a multilateral basis.

Discussion by officials at last week's Milan summit did not produce any consensus on immediate measures against MEA, but the U.S. plan will be discussed by EEC foreign ministers on July 22.

Parallel talks among the seven industrialised countries, represented at the Bonn summit in May were due to be continued at official level early this month. But this meeting has been put back to the last few days of July partly, it is said, at Japan's request.

With little prospect of any supportive action for the U.S. this month, European governments are hoping that in the meantime the Lebanese authorities will make a MEA ban unnecessary by taking credible measures to tighten security at Beirut airport.

President Amin Gemayel yesterday discussed further security measures with ministers and army and police officers.

Israel maintains control, Page 4

French videotex victim of its own success

By David Marsh in Paris

A SUCCESSION of network failures in France's nationwide videotex system - the most extensive in the world - has served notice of how a society built on information technology can become vulnerable to electronics breakdown.

The Direction Générale des Télécommunications (DGT), the national telecommunications authority, has decided to suspend until September distribution of the Mini terminals installed in homes and offices to combat overloading of the data transmission system which links the screens to central computers.

The move has sparked off a torrent of protests from users of the terminals. They have been spread progressively around the country as part of a massive state-subsidised scheme to popularise information technology. About 1,200 different information services - ranging from the post office's electronic telephone directory to data networks offered by banks, local authorities and newspapers - are now available.

The Posts and Telecommunications Ministry yesterday claimed that the overloaded Transpac packet switching network which lies at the centre of the difficulties was "a victim of its own success."

M. Louis Mexandeau, the Telecommunications Minister, said distribution of Minis would be resumed in September following work during the summer to iron out the faults.

The failure to cope with expanded traffic has been ascribed to shortcomings in computer software in the network.

The root cause, however, is that the central computers in the Transpac system, set up in 1979, appear not to have been extended sufficiently to take account of the far greater number of individual clients now interrogating their Minis.

Ministry officials point out that Transpac was set up initially to cope with relatively regular traffic of computer data fed into the system by business users such as banks, companies and airlines. Overloading in the data processing parts of the network, however, has arisen in the last fortnight as a result of a large rise in public use, especially in large city areas around Paris, Lille and Marseille.

Users and providers of information networks, including the daily newspapers Liberation and Parisien Libere were, however, vehement in criticising the telecommunications authorities for making insufficient preparations for the bulge in traffic.

VW's first-half profits exceed total for 1984

BY LESLIE COLTIT IN BERLIN

VOLKSWAGEN, the West German motor group, reports a dramatic recovery in profits for the first half of 1985 with earnings after tax rising to DM 290m (\$92.36m).

The performance compares with DM 228m for the whole of 1984 when profits were hit by the metalworkers' strike. It follows from a 20 per cent increase in sales with mainstream European markets buoyant and exports to North America running at a high level.

The outcome confirms the pattern of trading set recently by other European motor groups, notably Opel and Ford of Germany.

Opel (part of the General Motors group) recently moved out of the first five months of 1985, while Ford-Werke said it shortly expected to reverse its losses for 1984.

Dr Carl Hahn, Volkswagen's chief executive, told a shareholders' meeting in West Berlin that the VW group boosted international sales in the first half year by 4 per cent to some 1.2m vehicles. Sales in Western Europe - apart from West Germany - reached a record 402,000 and were 18 per cent higher than the previous best year, 1982. For the first time they exceeded sales on the German market, which fell 3 per cent to 382,000 units.

Dr Hahn said VW also expected positive, although "not entirely satisfactory," results in the remainder of the year. He further indicated dissatisfaction with earnings - which came to roughly 1 per cent of turnover in comparison with the profitability of the company's Japanese and U.S. competitors.

Dr Hahn attributed the drop in West German sales to uncertainties over new car pollution controls which caused widespread resistance among potential buyers in the first quarter. However, VW lost fewer sales than the rest of the German motor industry. It also managed to lift its market share to 28.7 per cent from 27.5 per cent a year ago.

Herr Hahn welcomed the recent European compromise on the introduction of pollution controls. In the vital U.S. market, Volkswagen sold 148,000 cars, or 2 per cent more than in the first half of 1984. The new model Golf produced at VW's Pennsylvania plant had a slow start, with 10 per cent fewer units sold in the first six months compared with last year. VW's American factory, which is producing 480 cars daily, is still losing money.

VW's recovery in Brazil, from a low point in 1983, was hit by a strike in April and May which left domestic vehicle sales down 15 per cent in the first five months. VW output in Mexico rose by 17 per cent in the same period, and the company held on to its one-third share of the market. The Mexican subsidiary was also unprofitable, however. Sales in the depressed South African market in the January-June period were down 23 per cent over 1984, although VW's market share rose to 15 per cent and was second to Toyota.

Dr Hahn said talks were currently taking place with Seat, the Spanish car manufacturer, with whom VW concluded a wide-ranging co-operation agreement in 1983, on a financial share in the Spanish company. Several important issues remained outstanding.

VW's West German plants were operating flat out and further investments would be needed to increase capacity. Dr Hahn said VW is currently working additional Saturday shifts in order to cut the queues which have built up for most models. Some 4,300 new employees have been hired in West Germany so far this year, and more may be taken on if sales continue to flourish.

Peugeot to seek funds for expansion

By Paul Betts in Paris

PEUGEOT, the French private car group embracing the Peugeot, Talbot, and Citroën marques, will issue FF 925m (\$100m) of new stock next week to strengthen its capital funds and help to finance its investment programme.

The decision of the car group to issue 2.5m new shares reflects Peugeot's return to confidence following its financial recovery after several consecutive years of heavy losses. The group expects to break even or show a small profit this year.

The new shares will be offered at a price of FF 370 each and will carry a nominal value of FF 10 each. There are at present 12.5m Peugeot shares outstanding.

Peugeot asked its shareholders at its annual meeting last week to give up their preferential subscription rights for the new issue. This means that the car group can go straight ahead with its capital increase at a time when Peugeot shares have been rallying on the Paris bourse.

The FF 370 price for the new shares is about FF 20 lower than Peugeot's current share price. Peugeot shares last week hit a high for the year of FF 417 on the Paris bourse after trading as low as FF 220-230 earlier this year.

The new equity issue - one of the first by a major French private group since the left came to power in 1981 - follows a series of other fund raising operations by the car group. In all, the group expects to raise about FF 6bn in fresh long-term funds this year.

The new issue will raise the nominal capital of the group by FF 175m to FF 1,050m. The new issue will lead to a dilution of about 20 per cent.

Total outstanding shares will be further increased by 4m shares when subscribers of a FF 1bn issue are announced.

Continued on Page 16

Spain's finance chief quits in Cabinet shakeup

BY TOM BURNS IN MADRID

SR Felipe Gonzalez, the Spanish Prime Minister yesterday announced sweeping Cabinet changes, dropping five ministers from his Government. They included Sr Miguel Boyer, the Economy Minister and architect of Spain's austerity policy for the past 2½ years. Earlier, he had asked for the resignation of Sr Fernando Moran, the Foreign Minister.

It was the first Cabinet shake up since Sr Gonzalez took office in December 1982 after his Socialist party won a landslide election victory.

The chief surprise of the reshuffle was the departure of Sr Boyer, which was a last-minute and unplanned development.

The Prime Minister said that Sr Boyer had tendered his "irrevocable" resignation alleging that he was "tired" of his post. Sr Gonzalez paid tribute to Sr Boyer and stressed repeatedly that there would be no change in the economic policy mapped out by the outgoing minister.

The Prime Minister said that he "lamented" the departure of Sr Boyer and that he had tried in vain to persuade him to remain in the Government.

Sr Carlos Solchaga, the Industry Minister and one of Sr Boyer's chief supporters in the outgoing Cabinet, was appointed to the Economy and Finance portfolio.

Sr Gonzalez rejected reports that Sr Moran had been sacked from the Foreign Ministry because he was lukewarm over Spain's continued membership of Nato. He said he had dismissed the Foreign Minister because, following Spain's entry into the Common Market, a new stage would begin in foreign relations.

THE SPANISH GOVERNMENT
Prime Minister: Felipe Gonzalez
Deputy Prime Minister: Alfonso Guerra
Foreign Affairs: Francisco Fernandez Ordoñez
Justice: Fernando Ledesma
Defence: Narcis Serra
Economy: Carlos Solchaga
Interior: Jose Barrionuevo
Public Works: Javier Saez de Cosculluela
Education, Science: Jose Maria Maravall
Labour, Social Security: Joaquin Almunia
Industry and Energy: Juan Mayo
PM's office: Javier Moscoso
Agriculture: Carlos Romero
Transport: Abel Caballero
Culture, PM's spokesman: Javier Solano
Local Administration: Felix Pons
Health: Ernesto Llinch

EEC shipyards win more aid

BY PAUL CHEESERIGHT IN BRUSSELS AND ANDREW FISHER IN LONDON

THE EUROPEAN Commission yesterday approved higher state subsidies to EEC shipyards to narrow the huge cost gap with yards in the Far East. The price for obtaining approval, however, will be additional cuts in capacity.

The Commission yesterday authorised higher subsidies by the British, Italian and Dutch governments to shipyards in their respective countries. Although it linked its approval to new reductions in capacity, Brussels did not specify where cuts should be made or how large they should be. The Commission can authorise subsidies if they are linked to restructuring.

The Commission began legal action against the UK, Italy, the Netherlands and France a year ago, claiming that the pace of reducing capacity was too slow.

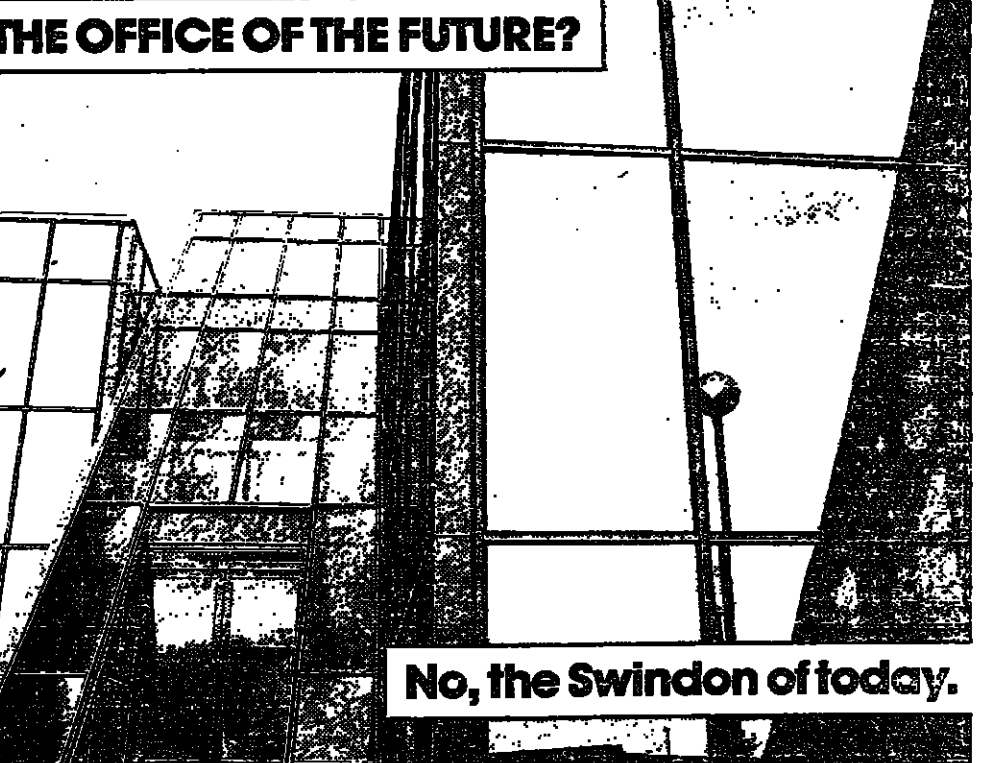
The new agreements with three of the governments mean an end to the legal action. France is still negotiating with the Commission on subsidies.

The West German Government has been trying to reduce aid to the industry, although it offers financial incentives to shipowners who build in domestic yards. The big AG Weser yard in Bremen was closed just over a year ago and other yards have been struggling.

The Commission yesterday authorised the following levels of subsidies:

- Italy can spend L75bn (\$38.6m) on production subsidies of up to 25 per cent of a ship's price, with higher rates for the Mezzogiorno in the south.
- The Netherlands will be able to top up its 8 per cent subsidies by a further 3 percentage points. In April, the Van der Giessen yard near Rotterdam lost a \$30m ferry order after the Dutch Government refused to grant a big enough subsidy. The order went to Japan.
- Britain will be allowed to lift subsidies from 17 per cent to 22.5 per cent at English and Scottish yards of state-owned British Shipbuilders, Harland and Wolff in Belfast, also state-owned, will be able to increase them from 18 per cent to 27 per cent.
- Britain had asked for subsidies as high as 35 per cent, so major orders could be kept in its yards, which have already experienced heavy redundancies. The UK subsidies will cost up to £140m (\$182m) over 18 months.
- British Shipbuilders and Harland and Wolff have had considerable success recently in winning new business, but a £10m order for a new lighthouse patrol ship for Britain was recently placed in South Korea, which offered a much lower price.

Lex, Page 16



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EUROPEAN NEWS

ITALY'S NEW PRESIDENT CONFIRMS GOVERNMENT IN OFFICE

Craxi's economic problems mount

BY JAMES BUXTON IN ROME

SIG BETTINO CRAXI, Italy's Socialist Prime Minister, was yesterday confirmed in office by Sig Francesco Cossiga, the new President. He offered his resignation as a matter of traditional courtesy to the new head of state, but in a brief meeting at the Quirinale Palace it was rejected.

Thus, the Craxi Government is set to continue. Early next week it will move from third to second place in the league table of Italy's 44 post-war governments for having lasted 23 months. It would then have only to survive until about the end of October to go into first place.

Despite the atmosphere of unusual political tranquillity, however, important decisions

about the future of the Government have to be taken in the next few weeks. Contrary to earlier suggestions, however, it now seems unlikely that there will be a big change of the 30-man cabinet. One or two ministerial changes are likely to be made by agreement between the five parties of the ruling coalition.

More difficult may be the drafting of a new programme for the Government to pursue since the first 23 months of its existence, it has successfully implemented those parts of its programme which were less difficult to carry out.

Yesterday, Sig Craxi's inner cabinet held a preliminary meeting to consider the economy's mounting problems

which have received little attention this year because of the local elections, the referendum on wage indexation and the election of the new President. The public sector deficit is thought to be running at a rate that will overshoot this year's target of L100,000bn (£39.5bn) by about L10,000bn. Some measures to raise extra revenue to plug the gap are expected to be hammered out in the next few weeks.

Thanks in part to the high deficit the Italian inflation rate shows no sign of falling. It is stationary at 8.7 per cent, while imports being sucked in by high domestic demand are causing a steadily worsening balance of payments deficit. In the first five months of this year the

overall deficit was L8,057bn, double the figure for the same period of 1984.

Apart from the need for short-term measures to correct the trend of the economy, the governing parties face the need to agree on a longer term plan for economic reform which would involve cutting government spending, especially on the lavish pension system.

As well as discussing these issues, political leaders must also reach agreement on the future shape of Italian local administration. Few firm decisions have yet been taken on the different coalitions of parties which will rule Italy's cities after the shake-up of the elections of May, in which the Communist party lost ground.

UK yields to Brussels over oil licensing

By Dominic Lawson

THE UK Government has agreed to drop "any British" rules in future oil and gas licensing rounds in the face of a European Commission threat to take Britain to court for infringing the Treaty of Rome.

The Commission said yesterday that some of the existing UK rules governing the award of licences to explore for and develop oil and gas in the North Sea "seemed to indicate that the UK Government was discriminating against companies based in other member states, and was pursuing a 'Buy British' policy in relation to the supply of goods and services for North Sea exploration and exploitation."

The Commission's interest was sparked by a complaint from Verein Deutscher Maschinenbau-Anstalten, the West German mechanical engineering association.

Two rules in particular were objected to. One decreed that licences would be awarded with reference to the applicant's intention to benefit the UK economy. The other introduced 'last year in the ninth offshore licensing round, warned that applicants should show willingness to give research and development contracts to UK-owned companies.

However, the Commission said yesterday that it had been assured by the British Government that its oil licensing policies "are interpreted in a manner consistent with the provisions of Community law."

The Commission said that, as the UK Government now proposed to remove the offending criteria from all future licensing rounds, both onshore and offshore, "the Commission has decided to close the file on the present complaint."

It emphasised yesterday, though, that it would be vigilant in investigating any future complaint against the UK's North Sea procurement policies.

Although the Commission had threatened Britain with immediate court action if the rules were not amended it had received no evidence from European companies that they had been discriminated against in specific North Sea awards.

Kohl seeks to ease differences with UK over EEC integration

BY RUPERT CORNWELL IN BONN

CHANCELLOR Helmut Kohl yesterday sought to smooth over the angry differences which surfaced between Britain and West Germany last weekend at the Milan EEC summit over means of achieving greater integration of the Community.

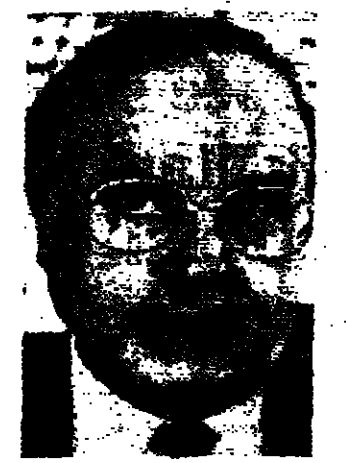
The West German leader told a Press conference here that the basic positions of the two countries were not wide, particularly over strengthening co-operation in the field of foreign and security policy. West German arguments generated bitter criticism from Mrs Thatcher in the immediate aftermath of the summit.

Herr Kohl rejected suggestions of hypocrisy on Bonn's part, in using its veto to block a cut in EEC grain prices and in the next breath advocating greater use of majority voting

to achieve decisions. Herr Kohl maintained that West Germany had merely made use of the same rights in the Community as Britain claimed for itself.

Bonn and Paris had made a joint proposal for a new Treaty "but we are ready to work closely with Britain, too, in this field. I do not think that exchanges of criticism across the Channel are very helpful," the Chancellor said.

However, in what could be interpreted as a rebuke to London, the Chancellor made plain that Bonn would not be content to see the Community develop as a free trade zone and no more. Nor, he suspected, would it be possible to secure by unanimous agreement the completion of a single internal market by 1992, on which Britain is placing priority.



Kohl: something over

Aeritalia chief says Panavia can build EFA

BY OUR ROME CORRESPONDENT

SIG RENATO BONIFACIO, the chairman of Aeritalia, the leading Italian aerospace company, said yesterday he believed that the Panavia consortium of Britain, West Germany and Italy which built the Tornado could build the new European fighter aircraft (EFA) if France went its own way.

"It is a political decision which it would be up to government to take," said Sig Bonifacio. "But from an operational point of view we would not expect any difficulty in realising the fighter. We have a long

tradition of collaborating at the industrial level and the air forces of our three countries co-operate well."

Sig Bonifacio's statement, made in an interview with the Financial Times, is the first time a senior official of the Italian aerospace industry has publicly voiced the possibility of the Panavia consortium building the European fighter aircraft on its own. British, German and industry officials have publicly raised the possibility.

Aeritalia has a 15 per cent stake in Panavia, in which

British Aerospace and MBB of West Germany are equal senior partners. Sig Bonifacio said that he hoped agreement would be reached by the end of the month. He said that the consortium had been working on the EFA project for some time, and that it was a five-nation scheme.

But nobody can say whether it will go ahead or not.

The project for constructing the EFA as a five-nation project is widely considered close to failure, because of major differences between France and the

other four countries over what type of aircraft to build and over France's desire for leadership of the project.

Sig Bonifacio said: "We have both the engineering experience and the management experience of running a joint project without a single leader."

He stressed that Aeritalia was keen to expand its existing collaboration with the British aircraft industry. The company recently shipped a carbon fibre wing to be assembled by British Aerospace in its advanced demonstrator aircraft

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Brussels backing for professions

BY IVO DAWNAY IN BRUSSELS

THE European Commission yesterday began its assault on the barriers to a free internal market for people, goods and services by approving a draft directive aimed at speeding the mutual recognition of diplomas between member states.

The aim of the directive is to allow professionals the freedom to practise their skill freely in any Community country. But its importance is perhaps greater as the first step down the route laid out by the White Paper on freeing the internal market presented last month and broadly approved by heads of

government at the Milan summit last week.

Lord Cockfield, the internal market commissioner, emphasised that the draft directive is proof of the Commission's determination to meet the timetable that requires completion of the market by 1992.

Under the draft directive, member states will be required to recognise diplomas or university degrees awarded in any member state as a right to practise in the relevant profession in any other. It marks the official abandonment of the search for "equivalence" in the

value of educational qualifications in favour of a system of trust.

This operates on the principle that a measure of competence to practise in one country must be accepted as sufficient in any other. The new policy, which will have to meet the approval of the Council of Ministers, does not affect professions, such as medicine, where mutual recognition mechanisms are already agreed. It is also accepted that where length of training is widely different, practical experience in the field concerned will also be taken into account.

Detainee jailed in Warsaw

By Christopher Bobinski in Warsaw

A WARSAW COURT yesterday sent Mr Krzysztof Gos, a 30 year old trainee bus driver, to prison for 18 months for duplicating a clandestine weekly news sheet for MRKS, one of the Solidarity networks in the Polish capital.

The case which lasted less than two days is one of the many which are now set to go through the Polish courts as they process the 170 political detainees officially admitted to be waiting trial. At present a mere 16 political prisoners have actually been sentenced, suggesting that last month's trial of three prominent Solidarity leaders in Gdansk, was a turning point in official policy towards the detainees.

Now it seems the authorities have decided to live with a fair number of political prisoners as a permanent part of the Polish landscape. Yesterday the Warsaw judge placed no restrictions on entry to the dark wood paneled courtroom, which was less than a quarter full. The scant attendance contrasted with the crowded courtrooms in political trials in the first months of martial law three years ago.

Mr Gos's wife heard Mr Andrzej Grabiniski, a noted civil rights lawyer, ask for last year's political amnesty to be applied in the case, because Mr Gos had ceased his activities at that time.

Also he asserted Mr Gos's activity in MRKS had been fuelled by the knowledge that his earnings were too low to keep his wife and second child and it was normal that a man should rebel in such a situation, the lawyer added.

Mr Gos had admitted to printing the CDN weekly mainly for distribution among Warsaw steelworkers in a basement where he also stored paper and other equipment for the MRKS group.

Bundesbank sure over growth

BY JOHN DAVIES IN FRANKFURT

THE BUNDESBANK, West Germany's central bank, yesterday reaffirmed its target range for money supply growth this year. The decision reflects its confidence that the existing target range allows sufficient room for the economy to grow and will not act as an undue restraint on financial trends.

The central bank aims to see its measure of money supply grow by between 3 and 5 per cent between the fourth quarter of last year and the final quarter of this year. The money supply has been moving to-

wards the upper ceiling of the target range, with a growth rate of about 4.5 per cent lately.

This year's target range, formulated by the Bundesbank last December, was set lower than last year's 4-6 per cent range, because it was felt this would signal a half year's delay in the government's programme to aid the ailing building industry.

The Bundesbank has consistently argued for a firm monetary policy and a continuation of government efforts to consolidate budget finances.

ing of both fiscal and monetary policy to stimulate the economy.

Particularly since the North Rhine Westphalia state election in mid-May, Chancellor Helmut Kohl has been under political pressure to take further steps to create jobs, although the cabinet in Bonn has just settled for a limited programme to aid the ailing building industry.

The Bundesbank has consistently argued for a firm monetary policy and a continuation of government efforts to consolidate budget finances.

Laura Raun looks at Nato's mounting pressure on The Hague to honour its missile commitment

Day of reckoning looms for Netherlands

FOR SIX years, the Dutch have artfully managed to dodge international pressure to site nuclear missiles on their soil under the aegis of Nato. Successive governments have trodden a fine line between the pervasive Dutch pacifism rooted in religion and history, and security obligations to Nato as well as European neighbours.

But it now finally looks as if Holland, the last European partner still to fulfil its 1979 Nato pledge, will accept the 48 cruise and Pershing 2 missiles assigned under the agreement. With only three months to go before the final parliamentary vote on deployment, pressure is accelerating sharply for the Dutch to honour their commitment to the Western alliance.

Last week, Mr George Bush, U.S. Vice-President, visited the Hague on an intensive lobby mission in which he sparred with recalcitrant MPs. Lord Carrington, the new Nato secretary-general, arrived a day later to exert more subtle encouragement on government leaders.

Mr Bush and Lord Carrington both came away from their meetings saying the same thing. The nuclear missiles will be stationed at Woensdrecht near the Belgian border barring a profound shift in Soviet defence policy. The Dutch Cabinet agreed in June 1984 to accept the controversial missiles if the Soviets had deployed more SS20 missiles by November 1, 1985 than were in place on June 1, 1984.

No Nato missiles would go to Brabant in the north if fewer than 378

Soviet missiles (the number as of June 1, 1984) were in place by the deadline. A smaller number would be taken if the Americans and Soviets reach an arms control agreement.

The Soviet Union has, by most accounts, continued to station its medium-range nuclear missiles on both sides of the Ural mountains. Mr Bush last week revealed that 423 of the SS20s - or 45 more than a year ago - were now on bases, with some of those sited since the missile freeze announced by Mr Mikhail Gorbachev last year.

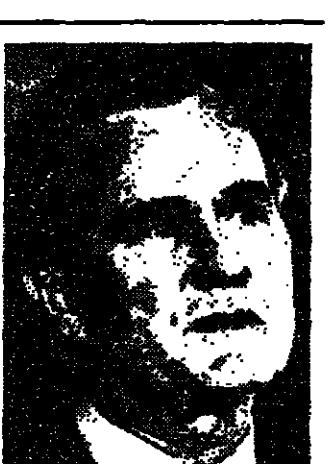
Holland and Nato have both said they would rely on U.S. figures because nothing better is available. The Soviet Union, for its part, has not disputed the numbers despite pressure from the Dutch opposition Labour Party to do so.

The Soviets, however, are not sitting idly by. Herr Erich Honecker, East Germany's Communist Party leader, and perhaps the Soviet Union's closest ally, yesterday met Dutch Foreign Minister Hans van den Broek in East Berlin to urge that the Nato promise be scrapped. The East Germans argue that the Soviet missile freeze, which is to expire in November, makes it unnecessary for the Dutch to deploy.

The Soviet Union can also be expected to exploit the November summit meeting between Mr Gorbachev and President Ronald Reagan announced this week. The Dutch opposition Labour Party, which adamantly opposes the missiles, will presumably push for a de-



Mr Ruud Lubbers: general election looms



Mr George Bush: intensive lobby mission

lay in the November 1 parliamentary vote, although the governing Christian Democrat-Liberal coalition wants a timely decision because of the two previous postponements.

Mr Gorbachev could even stop off in Holland at the time of his October 25 visit to France.

Remarks by Mr Bush and Lord Carrington last week dovetail closely with recent statements from The Hague. While stopping short of promising deployment, Mr Ruud Lubbers, Prime Minister, and Mr van den Broek have indicated that stationing must proceed to preserve

Holland's somewhat dented credibility within the Western alliance.

Mr Lubbers, however, has also been forced to ponder to public opinion in advance of the May 1986 general elections, when he would like to continue in office. With characteristic Dutch frankness, the Prime Minister brusquely reminded Mr Bush that the June 1984 decision also permits no U.S. missiles on Dutch soil if fewer than 378 Russian missiles are in place by November.

The opposition Socialists have promised to make the general elections a national referendum on the

medium-range, triple-warhead missiles, hoping to drag out the treaty process far beyond the November deadline. Some Labour Party members have even suggested they would try to renegotiate a deployment treaty if they attained power in the next government.

The governing centre-right coalition, however, is counting on a gradual, almost resigned acceptance of the nuclear weapons. A kind of self-fulfilling prophecy seems to have taken place since the June 1984 cabinet decision.

The well-organised and vociferous Dutch peace movement failed to mobilise the kind of wide-scale aggressive protests that many expected after the cabinet decision. Even Belgium's move to accept its 48 missiles last March failed to spark massive outrage in Holland.

While opinion polls are slightly contradictory, they do indicate some softening of anti-missile sentiment. Some believe the Dutch are just tired of fighting after twice having summoned the courage to say No to the missiles. Part of the reason to postpone the missiles in the first place was to show the world that while Holland was a small, often forgotten country it must still be taken seriously. That message having been conveyed, the Dutch can now take the missiles in good conscience.

Fearful that Dutch pacifists have sunk into a malaise, however, some 1,000 fervent activists from all over Europe opened a peace convention in Amsterdam on Wednesday in a bid to rally their flagging forces before the November deadline.

Leaders such as Mr Mient Jan Faber of the Dutch Inter-church Peace Council and Miss Petra Kelly of the West German Green Party have been trying to breathe new life into the cause.

Warm, sunny weather fostered a relaxed, holiday atmosphere at the Free University much like that at last weekend's quiet peace demonstration in Milan during the EEC summit meeting.

Even the usually inspiring Mr Faber failed to stir as much applause as a speaker from Spain.

Mr Bush and Lord Carrington, both worried about peace activists, argued that the Soviets would not bargain seriously at the Geneva arms talks as long as dissident opinion within the Nato alliance could be exploited. The enfeebled peace movement, however, seems to offer the Soviets little of a wedge to drive through the Western alliance.

Ever since the Nato partners agreed in 1979 to station a total of 378 nuclear missiles in response to the SS20s, Holland has defied in the hope of a U.S.-Soviet disarmament pact. The Dutch also argue that nuclear missiles sited in a country as densely populated as theirs is like putting the deadly weapons in someone's backyard.

Holland's long history as an advocate of peace and as a neutral country also are cited. But the day of reckoning seems to have come and deployment is the likely answer.

High-tech boost for jobs

By Our Amsterdam Correspondent

UNEMPLOYMENT in the Netherlands, which has fallen this year for the first time in recent memory, is declining faster in the south and east of the country than in the heavily industrialised west, according to the central bank's latest quarterly report.

The Nederlandse Bank found that national joblessness fell below 16 per cent in May after having stuck stubbornly for much of last year at more than 17 per cent, nearly the highest level in the European Community. Unemployment has climbed steadily for the past decade because of sluggish economic growth, eroded competitiveness and an influx of women and young people into the labour pool.

Much of the decline in unemployment in the first months was attributed to a technicality in which people older than 57s no longer must register upon losing a job. But the central bank also noted in its first-quarter report that 23,000 new jobs had also been created between January and May, particularly in sectors requiring highly skilled workers.

A great deal of the employment growth is taking place in the southern and eastern provinces where electronics, computer and biotechnology companies - many of them foreign - are establishing or expanding. In contrast, the western "smokestack" provinces saw joblessness actually edge up slightly.

Copenhagen keeps cool over balance of payments deficit

BY HILARY BARNES IN COPENHAGEN

THE DANISH Government has no current plans to tighten fiscal policy in response to a deterioration in the current balance of payments deficit, Mr Palle Simonsen, Finance Minister, said yesterday.

"We are not concerned about the deficit," he said, "but three months ago we carried through the tightest conceivable income policy which will bring about the biggest improvement in export competitiveness for years."

"It will, however, take until 1986-87 for the results to show up. Meanwhile, we have to keep a cool head."

He repeated the Government's earlier pledge to eliminate the current account deficit by 1988. Denmark has had a current account deficit every year since 1983 and built up a net foreign debt of Dkr 218bn (£15.3bn), equal to 98 per cent of gross

domestic product.

Mr Simonsen also said the Government is on target to eliminate the budget deficit by 1990. When the Government took over in 1982, the projected 1983 deficit was Dkr 80bn, or 15 per cent of GDP. This year, the deficit will be cut to Dkr 36bn and next year to Dkr 28bn, Mr Simonsen said.

There will be no increase in government expenditure in real terms next year "and with inflation coming down there will be very little increase measured in current prices either," he said.

The trade deficit for the first five months of this year increased to Dkr 7.4bn from Dkr 5.8bn last year, with exports rising by only 5.7 per cent while imports increased by 10.4 per cent.

A labour conflict which disrupted production for three

weeks in March and April has distorted the trade figures.

The current balance of payments deficit for the first four months exceeded Dkr 10bn, according to Mr Erik Hoffmeyer, Governor of the central bank. This compares with a deficit for the whole of last year of Dkr 16.8bn.

The Government hoped that the incomes policy, which aims to hold wage increases to 2 per cent a year in 1985 and 1986, would bring inflation down to 11-12 per cent in 1986.

When it was pointed out that every Finance Minister for the past 20 years had said that the balance of payments problem was under control, Mr Simonsen replied that no government in that time had made such radical changes in economic policy as this one.

"It will all work out all right, I'm sure," he said.

Air India Jumbo wreckage found on sea-bed

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

HOPES OF eventually discovering what caused the crash of the Air India Jumbo jet off southwest Ireland on June 22, with the loss of 329 lives, have risen following location of sizable items of wreckage on the sea-bed.

Metallic objects, considered almost certainly parts of the tail unit of the Jumbo, have been detected by the Cable and Wireless Seacab (submersed craft for assisting the repair and burial of cables) operating from the French cable ship Leon Thevenin.

The wreckage was found in a search area about 10 miles by one mile, and some 7,000 ft down. TV pictures of it are being taken, and if they clearly identify the wreckage as parts of the aircraft, the structure brought to the shore to date, it is impossible to state categorically which of these theories is correct.

The search for the flight data recorder continues. This is concentrated on detecting the "ping" signal transmitted once every second by a tiny beacon attached to the recorder.

So far, only intermittent signals have been intercepted, apparently some distance from the sunken wreckage now located.

Other pressing legislative items - particularly a radical revision of the 40-year-old rent Act that froze urban rents at 1949 levels, cuts in commercial lending rates, and reduction in capital gains tax on interest and deposits - will also be despatched before dissolution.

Thereafter, Mr Mario Soares's coalition government, which is staying on until the election on a caretaker basis, will be empowered to deal with the business of the nation by decree.

Explaining his decision, Gen Eanes underlined the effort of

Portugal to ratify EEC treaty before election

BY DIANA SMITH IN LISBON

THE DECISION by President Antonio Ramalho Eanes to dissolve the Portuguese Parliament on July 12, paving the way for a snap general election three months later, has been timed to give Mr's time to debate and ratify Portugal's treaty of accession to the European Community on July 9 and 10.

Other pressing legislative items - particularly a radical revision of the 40-year-old rent Act that froze urban rents at 1949 levels, cuts in commercial lending rates, and reduction in capital gains tax on interest and deposits - will also be despatched before dissolution.

Thereafter, Mr Mario Soares's coalition government, which is staying on until the election on a caretaker basis, will be empowered to deal with the business of the nation by decree.

Explaining his decision, Gen Eanes underlined the effort of

Mr Soares's Socialists to solve the crisis engineered on June 4 by their Social Democrat coalition partners.

The President stressed that he was forced into the costly election option and that he held the other parties fully responsible for a crisis provoked by the Socialists at a time when Portugal needed stable government to prepare for EEC membership.

His failure to find a workable alternative to keeping the present coalition in office until the October election results are known is a Pyrrhic victory for Mr Soares. His party will gain credit from voters for behaving responsibly, but he will also have to delay his own presidential campaign by several months in order to prove his sense of duty as caretaker Premier to the nation to worry about the presidency.

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WORLD TRADE NEWS

Japan to limit car sales to Canada

By Bernard Simon in Toronto

QUOTAS on Japanese car imports to Canada are to be replaced by an "understanding" limiting sales of Japanese models to about 18 per cent of the Canadian market this year. Japanese car imports to Canada have risen sharply in recent months following expiry of the quota system.

Japanese and Canadian officials have agreed that Japanese car makers would "avoid disruption of the Canadian market on the understanding that their exports be allowed to grow in a manner consistent with the total growth of the Canadian market."

Quotas on Japanese car imports, first imposed in 1981, expired last March. A 21 per cent jump in imports during April and May raised fears in Canada that the Japanese were determined to raise their market share.

The recent surge, however, appears mainly to reflect steady growth in the overall market and the replenishment of dealer inventories, run down before the quota expired.

Sales of Japanese cars in the first five months of 1985, totalling 74,800 vehicles, accounted for 16 per cent of total Canadian car sales.

The Canadian Government yesterday noted the "low level" of Japanese motor investment in Canada and the preference among manufacturers to concentrate their North American production in the U.S.

Poles visit Malta to sell engines

A THREE-MAN Polish delegation led by Mr Richard Strzelecki, Deputy Foreign Trade Minister, is in Malta to negotiate the details of an agreement covering the sale of marine engines and fittings to Malta drydocks and the purchase of Malta-made goods by Poland, reports Godfrey Kriza from Malta.

The engines will be fitted to eight timber carriers being built by Malta's shipbuilding yard at Marsa for the Soviet Union at a cost of \$140m (£108m). The deal forms part of a three-year \$265m counter-trade accord, Malta and the Soviet Union signed in December last year.

Pechiney plans printed-circuit plant using Japanese technology

BY DAVID MARSH IN PARIS

PECHINEY, the French state-owned aluminium company, is to set up a FFr 280m (£23m) printed circuits plant using Japanese technology in Normandy. This marks one of the most important examples so far of Japanese involvement in the French electronics industry.

The plan is part of Pechiney's bid to convert its Trefimetaux copper landfills plant at Dives sur Mer, which is being closed next year. The company is to set up a new factory to make electrolytically-produced copper wafers — one of several of the company's restructuring measures.

The plan was announced by M Louis Mexandean, the Posts and Telecommunications Minister, who has his political constituency in the region. Pechiney will be working under licence from a major Japanese company whose name has not been officially confirmed but is believed to be Mitsui.

Pechiney said last night that the deal was still in negotiation and could not confirm that Mitsui would be the partner.

The operation is planned to employ 100 people, compared with 930 jobs which will be lost when the Trefimetaux plant closes. The new plant is

intended to start up by 1987.

The deal looks likely to confirm the growing trend of Japanese participation in important parts of the French electronics industry, where companies like Sony, Akai and Pioneer over the past few years have established French plants in consumer elec-

tronics.

Thomson and Matra, two of the leading French state-controlled electronics groups, already have links with U.S. concerns in semi-conductor manufacturing. Thomson also has recently concluded a major chip agreement with Okai of Japan.

Indonesia and U.S. compromise on textiles

By Kieran Cooke in Jakarta

The U.S. and Indonesia have agreed a temporary compromise on textile trading restrictions — an issue which had threatened to seriously sour relations between the two countries.

After week-long negotiations in Jakarta, the number of Indonesian textile categories subject to import quota restrictions from 17 to 31, while raising the ceiling on the actual amount of textiles it was willing to import.

It also agreed to allow a growth in each category of 6 per cent a year, with the provision that this could be raised to 7 per cent in some areas if shipments of garments in other categories do not reach their export ceilings.

In 1984 Indonesian textile exports to the U.S. were worth \$234.5m (£180m) — 48 per cent of Indonesia's total textile exports. A Bill before the U.S. Congress seeks to further limit the amount of textile imports, particularly from countries in north and south-east Asia.

Indonesia says that if passed, it would unfairly affect it as a relatively small exporter. It could also result in massive layoffs in the Indonesian textile industry and provoke an outbreak of anti-U.S. feeling.

EEC talks on Turkish textiles

TWO DAYS of negotiations on quotas for Turkish textile exports to the European Community began in Izmir this week, reports David Barchard from Ankara.

A five man delegation from the European Commission met members of the association of Turkish ready wear and clothing exporters. Turkey and the community have been at loggerheads over ready-wear quotas since the summer of 1983, with Turkey claiming that the EEC is in breach of its obligations under a joint association agreement.

Community officials cite a "safeguards clause" in the agreement and point to the success of Turkish exporters in evading quantitative restrictions by selling their goods to the EEC through third countries.

David Marsh on why Paris is looking to the U.S. in a bid to internationalise its telecoms business
France sends friendly signals across the Atlantic

COMPAGNIE Generale d'Electricite, the French state-owned electrical and engineering conglomerate which groups the lion's share of the country's civil telecommunications activities, is in negotiations with American Telephone and Telegraph (AT & T) which could give the U.S. giant a significant foothold in the French market.

The talks are aimed at producing a reciprocal commercial agreement which would powerfully assist the two companies' efforts to internationalise their telecommunications business.

By embarking on talks with AT & T, whose efforts to penetrate the European market have been widely resisted by the French Government, CGE could be starting a process which could compromise France's overall efforts to promote European electronics collaboration.

The negotiations with AT & T run parallel to efforts by the Direction Generale des Telecommunications (DGT), France's national telecommunications authority, to diversify suppliers of switching equip-

ment. The contacts show how France's telecommunications policy has become more pragmatic since President Francois Mitterrand in September 1982 denounced the link-up in digital exchanges between AT & T and Philips of the Netherlands as an example of how the EEC "could allow itself to be conquered by outside powers."

France is still giving political priority to the search for European links in its bid to strengthen CGE's telecommunications activities. The group has set itself the ambitious target of boosting its share of the world telecommunications market to 8 per cent from the present 5 per cent. It recognises the only way to achieve this is through pooling commercial and technological forces with other companies.

But a succession of setbacks for French initiatives to find European partners has driven both the DGT and CGE to cast their net wider in the search for foreign partners.

In particular, the collapse of long-running efforts last year



Pebereau — looking for a long-term U.S. partner

to achieve a reciprocal switching equipment sales deal with Britain has pushed France into exploring all the international options.

DGT particularly resented British Telecom's failure last October to put the French E10 system on the short list of equipment being selected as an

alternative to Britain's System X exchange. Instead, British Telecom opted for AT & T/Philips, L. M. Ericsson and Northern Telecom, companies bringing in technology from outside the EEC.

"By doing all we can to push alliances among European companies," says one official at the French Telecommunications Ministry. "But if others find partners elsewhere, it is possible we could do the same."

In recent months DGT has been stepping up contacts with all the major world telecommunications groups, including ITT and NEC of Japan, in its search for outside supplies.

Any commercial link with AT & T would involve the U.S. company giving sales support to the efforts of the Alcatel-Thomson group — under full control of CGE since July 1 — to sell a modified form of its E10S exchange in the U.S.

It could also be extended to include other areas like radio telephones. CGE is also on the point of securing a long-negotiated deal to link up with

AT & T/Philips microwave systems business by taking control of Philips' French subsidiary TRT.

In return AT & T would effectively become the second supplier of switching equipment in France. One idea would be for CGCT, the former RTT telephone equipment subsidiary which was nationalised in 1982 and has since been in financial trouble, to manufacture the AT & T switching range in France.

Ever since the decision in September 1982 — hotly contested by the Telecommunications Ministry — to merge the CGE and Thomson telephones activities, the DGT has been stepping up its efforts to avoid full-scale reliance on a sole French supplier of switching equipment.

In addition a deal with AT & T would provide just the entry card CGE is seeking to expand its presence on the deregulated U.S. telecommunications market, now seen as vital for the group's future.

M Georges Pebereau, the CGE

chairman, has been steadily building up the group's U.S. telecommunications presence in the past two years.

But he has failed so far to find a long-term partner capable of beefing up CGE's still sparse commercial network in the U.S. Despite the commercial logic and M Pebereau's insistence this week that some form of U.S. deal (whether with AT & T or another company) will be agreed soon, it is clear that political factors will play a major role in the outcome.

One industry official sums it up by referring to the Government's efforts to boost Europe's electronics co-operation through the Eureka programme. "In the middle of all that, it would be difficult for the Government to accept the idea of having a U.S. telecommunications supplier."

But, unless France's European partners react with an unexpected initiative of their own in the face of the AT & T overtures, that could well be the direction in which France is heading.

Vienna-Moscow pact renewed

BY PATRICK BLUM IN VIENNA

AUSTRIA and the Soviet Union have agreed to renew until 1985 three major agreements between them covering trade, payments and credits, and scientific, technical and economic co-operation. According to Austrian and Soviet officials in Vienna the agreements will provide a firm basis for a further expansion of the booming trade and economic contact between the two countries.

Trade with the Soviet Union has grown sharply in recent years and it is now Austria's fourth largest trading partner. Austria in turn has

become the Soviet Union's eighth largest trading partner among Western countries.

The agreements will be formally signed in Moscow next October during a meeting of the joint Soviet-Austrian commission, but their renewal was agreed this week in a course of a visit to Vienna of a Soviet delegation headed by Mr Alekssei Manschulo, the Soviet Deputy Foreign Trade Minister.

The Soviets are especially eager to demonstrate that their positive relations with Austria are an exam-

ple of successful co-operation between countries of different social systems which can be emulated by others. A recent Soviet report praised the Austrians and argued that relations between the two countries showed that the politics of economic sanctions were "powerless."

Austrian imports from the Soviet Union grew by 32 per cent from Sch 14.85bn (\$707m) in 1983 to Sch 19.62bn last year. Austrian exports to the Soviet Union rose by 31.5 per cent

Trinidad to ease protectionism

BY CANUTE JAMES IN KINGSTON

TRINIDAD and Tobago has agreed to make adjustments to its trade policy and ease protectionism following persistent criticism from its partners in the Caribbean Economic Community (Caricom).

The leaders of the 13-nation community, meeting here this week, have made marginal progress in resolving most of the long-standing issues which have bedevilled trade within the group.

Mr Bernard St John, Prime Minister of Barbados, and

chairman of the summit, said Trinidad was to adjust import barriers on all but a few "sensitive" items which were not named.

The agreement indicated marginal progress in the efforts of the leaders to inject new life into the community. They are still to find a formula for reactivating a \$100m (£77m) trade credit facility which reached its limit two years ago.

The member governments have also decided to re-examine the controversial purchase of British aircraft by Leeward

Islands Air Transport (Liat). The move follows criticisms from some regional governments.

Some community governments, including St. Vincent and the Grenadines, have refused to sign the guarantee for loans to Liat to buy four BAe 748 aircraft from British Aerospace. The aircraft have been delivered.

Caricom governments are shareholders in the airline and a meeting is expected to be held within the next three months.

Why, on a hot summer's day, did these jewellers replace their air conditioning unit with an electric heat pump?

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16	2276	4372	6569	9157	11670	14048	16388	18828	21230	23440	25904	28062	30374	32940	35934	37462	39771	42159	44417	46465	48999	51678	53820	56363	58889	61300	63714	66179	68321	71100	73646	76269	78847	81462	83821	86092	88228	90554	93134	95481	97755
17	2328	4424	6621	9209	11722	14100	16440	18880	21282	23492	25906	28064	30376	32942	35936	37464	39773	42161	44419	46467	48999	51679	53821	56364	58890	61301	63715	66180	68322	71101	73647	76270	78848	81463	83822	86093	88229	90555	93135	95482	97756
18	2380	4476	6673	9261	11784	14162	16502	18942	21344	23554	25908	28066	30378	32944	35938	37466	39775	42163	44421	46469	48999	51679	53822	56365	58891	61302	63716	66181	68323	71102	73648	76271	78849	81464	83823	86094	88230	90556	93136	95483	97757
19	2432	4528	6725	9313	11846	14224	16564	19004	21406	23616	25910	28068	30380	32946	35940	37468	39777	42165	44423	46471	48999	51679	53823	56366	58892	61303	63717	66182	68324	71103	73649	76272	78850	81465	83824	86095	88231	90557	93137	95484	97758
20	2484	4580	6777	9365	11908	14286	16626	19066	21468	23678	25912	28070	30382	32948	35942	37470	39779	42167	44425	46473	48999	51679	53824	56367	58893	61304	63718	66183	68325	71104	73650	76273	78851	81466	83825	86096	88232	90558	93138	95485	97759
21	2536	4632	6829	9417	11970	14348	16688	19128	21530	23738	25914	28072	30384	32950	35944	37472	39781	42169	44427	46475	48999	51679	53825	56368	58894	61305	63719	66184	68326	71105	73651	76274	78852	81467	83826	86097	88233	90559	93139	95486	97760
22	2588	4684	6881	9469	12032	14410	16750	19190	21592	23798	25916	28074	30386	32952	35946	37474	39783	42171	44429	46477	48999	51679	53826	56369	58895	61306	63720	66185	68327	71106	73652	76275	78853	81468	83827	86098	88234	90560	93140	95487	97761
23	2640	4736	6933	9521	12094	14472	16812	19252	21654	23858	25918	28076	30388	32954	35948	37476	39785	42173	44431	46479	48999	51679	53827	56370	58896	61307	63721	66186	68328	71107	73653	76276	78854	81469	83828	86099	88235	90561	93141	95488	97762
24	2692	4788	6985	9573	12156	14534	16874	19314	21716	23918	25920	28078	30390	32956	35950	37478	39787	42175	44433	46481	48999	51679	53828	56371	58897	61308	63722	66187	68329	71108	73654	76277	78855	81470	83829	86100	88236	90562	93142	95489	97763
25	2744	4840	7037	9625	12218	14596	16936	19376	21778	24018	25922	28080	30392	32958	35952	37480	39789	42177	44435	46483	48999	51679	53829	56372	58898	61309	63723	66188	68330	71109	73655	76278	78856	81471	83830	86101	88237	90563	93143	95490	97764
26	2796	4892	7089	9677	12280	14658	16998	19438	21840	24078	25924	28082	30394	32960	35954	37482	39791	42179	44437	46485	48999	51679	53830	56373	58899	61310	63724	66189	68331	71110	73656	76279	78857	81472	83831	86102	88238	90564	93144	95491	97765
27	2848	4944	7141	9729	12342	14720	17060	19500	21902	24138	25926	28084	30396	32962	35956	37484	39793	42181	44439	46487	48999	51679	53831	56374	58900	61311	63725	66190	68332	71111	73657	76280	78858	81473	83832	86103	88239	90565	93145	95492	97766
28	2900	4996	7193	9781	12404	14782	17122	19562	21964	24198	25928	28086	30398	32964	35958	37486	39795	42183	44441	46489	48999	51679	53832	56375	58901	61312	63726	66191	68333	71112	73658	76281	78859	81474	83833	86104	88240	90566	93146	95493	97767
29	2952	5048	7245	9833	12466	14844	17184	19624	22026	24258	25930	28088	30400	32966	35960	37488	39797	42185	44443	46491	48999	51679	53833	56376	58902	61313	63727	66192	68334	71113	73659	76282	78860	81475	83834	86105	88241	90567	93147	95494	97768
30	3004	5096	7297	9885	12528	14906	17246	19686	22088	24318	25932	28090	30402	32968	35962	37490	39799	42187	44445	46493	48999	51679	53834	56377	58903	61314	63728	66193	68335	71114	73660	76283	78861	81476	83835	86106	88242	90568	93148	95495	97769
31	3056	5148	7349	9937	12590	14968	17308	19748	22150	24378	25934	28092	30404	32970	35964	37492	39801	42189	44447	46495	48999	51679	53835	56378	58904	61315	63729	66194	68336	71115	73661	76284	78862	81477	83836	86107	88243	90569	93149	95496	97770
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37	3368	5460	7661	10249	12962	15340	17680	20124	22522	24738	25946	28104	30416	32982	35976	37504	39813	42201	44459	46507	48999	51679	53841	56384	58910	61321	63735	66200	68342	71121	73667	76290	78868	81483	83842	86113	88249	90575	93155	95502	97776
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UK NEWS

TV sales rise 8% but deliveries to trade fall

BY JASON CRISP

SALES of colour televisions in the UK rose nearly 8 per cent in the first quarter of this year compared with the same period in 1984. Manufacturers, however, saw a fall in business as retailers tried to reduce their very high levels of stocks.

The improvement in sales was unexpected as it follows two record years for colour TV sales. But the latest figures from the British Radio and Electronic Equipment Manufacturers' Association (Brema) show total deliveries to the trade fell 17 per cent in the first quarter.

Stocks are still very high, with retailers holding about four months supply and manufacturers about two months', which is roughly double the ideal level. Higher interest rates have encouraged retailers to reduce stocks and their promotions have helped sales.

The fall in deliveries shows the pressures on companies such as Ferguson, the troubled subsidiary of Thorn EMI, which is the only remaining British company producing high volumes of colour TVs. Imports, however, have fallen by almost 4 percentage points to 39 per cent of the total in the first quarter.

Imports had been rising sharply because the British market has been moving rapidly towards small colour TVs, which until recently were largely made overseas. Ferguson and a number of the Japanese companies that make TVs in Britain have now started making small sets in the country, reflecting the change in demand. In the three months, deliveries of UK-made small TVs rose 26 per cent.

The Brema figures show that the trend towards small TVs is continuing and they now account for almost 40 per cent of deliveries to the trade. Demand for small sets appears to come from people buying second TVs for the children, the bedroom or for caravan or cottage and for use with videorecorders or home computers.

Sales of video recorders in the first three months this year have been about the same as last year, which was considerably lower than two previous boom years. Deliveries to the trade actually rose during the quarter, reflecting the much lower stock levels.

Compact disc players are showing signs of taking off in sales, 2½ years after they were first launched in the UK. Some 16,000 were delivered to the trade in the quarter compared with 33,000 for all of last year. The expectation is for sales of about 75,000 during the year, followed by substantial growth next year.

Importers have further increased their stake in the fastest growing sectors of the British domestic appliance market, with shipments of microwave ovens, built-in cookers and dishwashers showing particularly strong gains, Christopher Parkes writes.

Industry figures published yesterday show that total deliveries of microwave ovens rose 30 per cent in the first four months of this year to 457,000. The rise indicates a sharp increase in imports competing with the output from the UK's developing manufacturing industry.

WORLD'S LARGEST SINGLE SPAN SUSPENSION CARRIES 'UNMANAGEABLE' BURDEN

Showpiece bridge sagging with debt

BY NICK GARNETT

THE COST of financing the Humber Bridge, a civil engineering showpiece when it opened four years ago, is rising so alarmingly that local planners and politicians have appealed to the Government for help over what they describe as an "unmanageable" debt burden.

One official estimate is that if the Humber Bridge Board decided to levy an extra rate (tax) upon the city of Hull this year to cover the cost of financing the bridge it would double the city council's existing rate levy.

The controversial bridge - at 1,410 metres the largest single-span suspension in the world - was built to connect north and south Humberside on the east coast of England. When construction started in 1972 it had an estimated billed cost of £245m.

The final construction cost was £37m when the bridge was eventually opened two years late in 1981 - and by then the total "bill," including debt charges, stood at £151m.

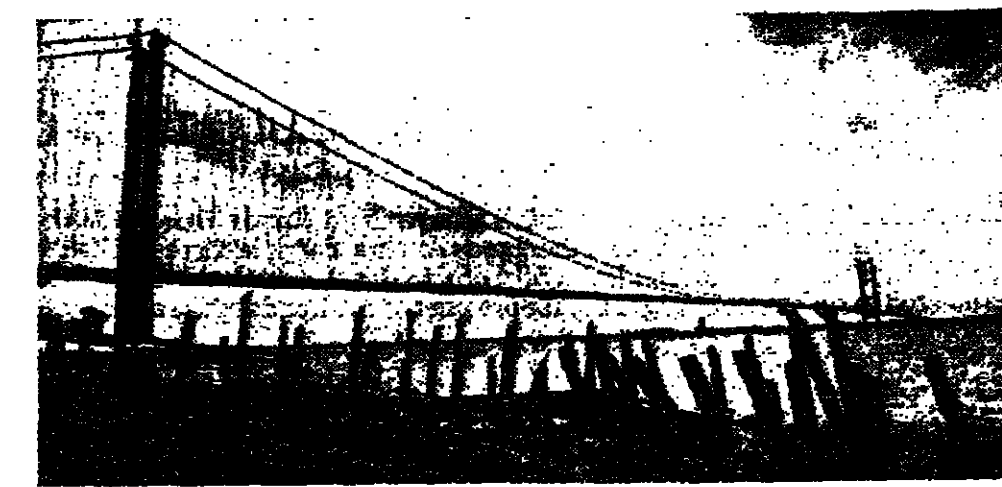
The cost has risen steadily to £236m this year and will leap to £440m by 1994 on present inflation and traffic revenue trends.

Total income from tolls last year was £4.8m, which after maintenance and administration costs of £1.1m left just £3.7m available, less than one seventh of the year's £27m interest charge bill excluding loan repayments.

The new figures were presented to members of the House of Commons Transport Committee who are studying Britain's estuarial crossings and who visited the bridge this week.

Mr Nicholas Ridley, Transport Secretary, told the committee on Wednesday that he favoured the possible privatisation of existing river crossings.

Mr Ridley's department is understood to have been unsympathetic so far to the suggestion by Humberside's local authorities that it should write off all or part of the debt or



Humber Bridge: Bill of £440m expected by 1994

provide some other form of financial assistance.

The bridge board, more than half of whose members are Hull city councillors, was given until 1994 before any of the loans need to be paid back. It has the power, however, to levy a precept on Hull City Council and two other districts after that date or any date specified by the Government if tolls are not adequate to meet loan charges. The board is meeting in the autumn to examine its options.

Any levy on the two districts, however, is limited to 1.7p in the pound so the burden would fall on Hull, the port about four miles from the bridge on the northern edge of the Humber river.

Mr Michael Desforges, the city's treasurer, said yesterday that it was unclear whether an extra levy from the bridge board could be liable to penalties under the Government's policy of curbing high-spending local authorities.

The bridge was first promised by the Labour Minister Mrs Barbara Castle, in a 1966 parliamentary by-

election, but expenditure was later endorsed in 1971 by a Conservative Government, a decision supported by some MPs who are now ministers.

The two principal financial pressures have resulted from the higher-than-expected construction cost and the loss of two years' revenue, and from a much lower traffic volume than projected in earlier estimates.

A feasibility study in 1969 by the Department of Economic Affairs based on expected population and economic growth which never materialised projected a yearly volume of 11m vehicles a year on the bridge by 1986 and 22m by 2001. The bridge carried just 3m vehicles last year, a rise of almost 1m on its first year's operation.

Present traffic usage broadly accords with figures predicted in 1977 by Halcrow, Fox and Associates, the bridge board's consultants.

Present charges on the bridge are much higher than on most similar crossings, although they have not changed since 1981. The tolls vary

from £1 for a car in one direction up to a maximum of £7.50 for the heaviest truck. That compares, for example, with 50p for a car and £1 for a truck on the Severn Bridge, which spans the river Avon in the west of England.

Of the total of 3m journeys by vehicle across the bridge in 1984-85, 2m were made by private cars and 300,000 by heavy goods vehicles.

The worsening financial position of the bridge will rekindle arguments for the bridge's justification. Its critics said it would be grossly under-used, partly because the south bank of the Humber is largely agricultural.

Local politicians and planners say the main fault is that the bridge was not built decades earlier.

They also argue that it has had some direct economic benefit by helping to attract some companies; raising passenger throughput at the south bank's Kirmington airport from 47,000 in 1981 to 119,000 last year; and encouraging retailers such as Sainsbury's, the supermarket group, to expand in the area.

'Alarming slump' at specialist food shops

By David Churchill, Consumer Affairs Correspondent

A BLEAK outlook for specialist UK food retailers such as butchers, greengrocers and fishmongers is forecast today in a new report from the Euromonitor market research company.

The report says that such specialist retailers have suffered an "alarming slump" in trade during the early 1980s and that this trend will continue unabated until the end of this decade. Only a small number of new specialist food retailers, such as freezer centres and delicatessens, are "emerging in the wake of this decline," the report adds.

According to the report, butchers have suffered the biggest drop in market share since 1980, followed by butchers, and small food shops in general.

Euromonitor now estimates that there are at present some 8,100 dairies, 20,000 butchers, 3,740 fishmongers and poultryers, 16,500 greengrocers and 8,940 bakers. The combined turnover of these food specialists is just under £8.4bn, representing slightly over a fifth of all sales through food retailers.

Among the newly-emerging food specialists yet to be classified separately in official statistics are an estimated 1,225 freezer food outlets, 1,200 health-food shops, and 3,700 delicatessens.

Euromonitor predicts that specialist food retailers will come under increasing pressure from the major supermarket chains which have increased their total market share from 88 per cent in 1980 to 93 per cent last year. "Specialist food retailers have found their traditional styles of trading increasingly inappropriate to the shopping needs of the 1980s," says the report.

Butchers and bakers have particularly suffered from the growth of the large supermarket chains which have expanded in these areas. "These specialists trading in fresh produce have tended to suffer least at the hands of the major grocery chains, with both fishmongers and greengrocers faring best," adds Euromonitor.

The report predicts that tougher trading in the grocery sector in the rest of the 1980s will mean that "the multiples' predatory instinct is, if anything, likely to be sharpened and they will turn on all the traditional specialists."

"Food specialists in the UK, published by Euromonitor, 87-89, Turnmill Street, London, EC1, price £180.

Mies tower in City 'will never be built'

By Colin Amery

MR PETER PALUMBO, the property developer who recently failed to get planning permission to build a Mies van der Rohe tower block in the City of London, yesterday appointed Mr James Sterling, the award-winning architect to prepare fresh plans for the site.

Mr Palumbo said he accepted that the Mies tower block that he campaigned for 27 years to build on a site near the Mansion House, would now never be built. Mr Sterling will now prepare plans for a commercial office and banking headquarters on the site which has been defended by conservation groups for its rich mixture of Victorian styles.

Mr Sterling is best known for his university and museum buildings. At present nearing completion are his extension to the Fogg Museum at Harvard in the U.S. and a new wing of the Tate Gallery in London.

His recently completed Staatsgalerie in Stuttgart, built at a cost of DM 88m, is one of the most spectacular new buildings in Europe and is as much visited for its architecture as its collection of paintings.

James Sterling with his partner Michael Wilford specialises in what is known as "contextual" architecture. His particular skill is an imaginative reinterpretation of history within realistic margins.

He expressed an enthusiasm for some of the buildings on the Mansion House site.

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Government system of council grants may be restructured

BY KEVIN BROWN

THE GOVERNMENT is considering a radical overhaul of the rate support grant system, which would deprive local authorities of control over the bulk of the central government grants made to them.

The proposal is being studied by an Environment Department team carrying out a detailed review of the rating system - the method of property taxation which raises a proportion of local councils' revenue, most of the remainder being provided by the Government's rate support grant.

Ministers have concluded that a broadly based residents' charge is the only alternative to domestic rates, and that business rates should be put on a national basis fixed annually by the Government.

Attention has now turned to the distribution of central government funds through the rate support grant system. This makes up 46 per cent of local authority spending and amounts to £3.5bn in England this year.

Environment Department officials say the review team is considering ending the rate support grant in its present form, which is linked to the amount of locally raised rates spent by each council.

It would be replaced by a small per capita grant paid on a standard basis to all councils, topped up by extra payments to cover special needs.

Councils would retain control of the standard grant and of revenue raised through the residents' charge, but the extra payments would be made only for projects or services approved in advance by the Government.

This would allow ministers to sweep away the paraphernalia of targets, grant assessments and penalties which are used to control the growth of local government spending.

The scheme is also set to offer the twin advantages of targeting central funds more closely on the greatest need, while removing large sums of money from the control of councillors who are not accountable to taxpayers.

The extra payments would be made through a revamped Urban Programme, the arrangement under which local authorities can apply for up to 75 per cent government funding for approved projects.

The model for the scheme would be the large-scale "partnership pro-

grammes" already operating in deprived areas of London, Birmingham, Liverpool, Manchester and Newcastle. These programmes will distribute £127m of the £338m Urban Programme funds this year.

Ministers are aware that the scheme would provoke serious protests from the largely Labour-controlled authorities which would be affected.

It would also lay the Government open to charges of further centralisation in the wake of the Local Government Bill, which abolishes the Greater London Council and the six Labour-run metropolitan councils in the big provincial cities.

The review team, which includes officials from the Treasury and the Department of Health and Social Security (DHSS), is working towards a final Cabinet decision on rates shortly before the annual Conservative Party conference in October.

A detailed consultative paper would follow before Christmas and a Bill is likely in the 1987 session of parliament.

This may be overtaken by a general election, but those involved in the review say that a mere commitment to reform rates would be insufficient to convince voters that the Conservative Government meant business.

The review team is facing a major problem in producing a detailed analysis of the impact of possible changes which is required by the Cabinet.

Officials have been denied access to Inland Revenue and DHSS computer information because of confidentiality rules, and there is strong opposition from the Home Office to the use of electoral rolls, which it is feared would link taxation too closely with the right to vote.

Other ideas being considered include the retention of domestic rates as an extra tax on the rich. This is because it is believed that resentment could be aroused by the prospect of small families living in large houses who would pay less in local taxes than less-well-off neighbours.

Ministers are said to prefer a flat rate residents' charge, despite its regressive nature, but a fallback position is being prepared under which the charge would be graduated according to income, probably by self-assessment.

Falklands tourist trips planned

BY HUGH O'SHAUGHNESSY

THE FALKLAND Islands Development Corporation (FIDC), which manages some £8m of public funds, is to move into tourist and property development.

It is expected shortly to establish a tourist development company with a capital of £175,000 to build seven "mini-hotels", each with 10 beds, on the South Atlantic islands to cater to the specialist tourist trade of ornithologists and other nature lovers.

Mr Simon Armstrong, the FIDC general manager, said in London yesterday it was hoped that about

1,000 tourists a year would be visiting the islands within three years, contributing £500,000 to the economy.

The first "mini-hotel", which like subsequent ones will probably be managed and staffed by expatriates, should be ready on Sealion Island for the Falklands summer starting in November next year.

Economic studies are being undertaken on the feasibility of an air link between the new airport in the Falklands and Chile.

An announcement is expected shortly about reduced air fares for

groups flying from London to Port Stanley, the main community in the Falklands. The present return fare is £2,000, with concessional fares for certain categories of traveller.

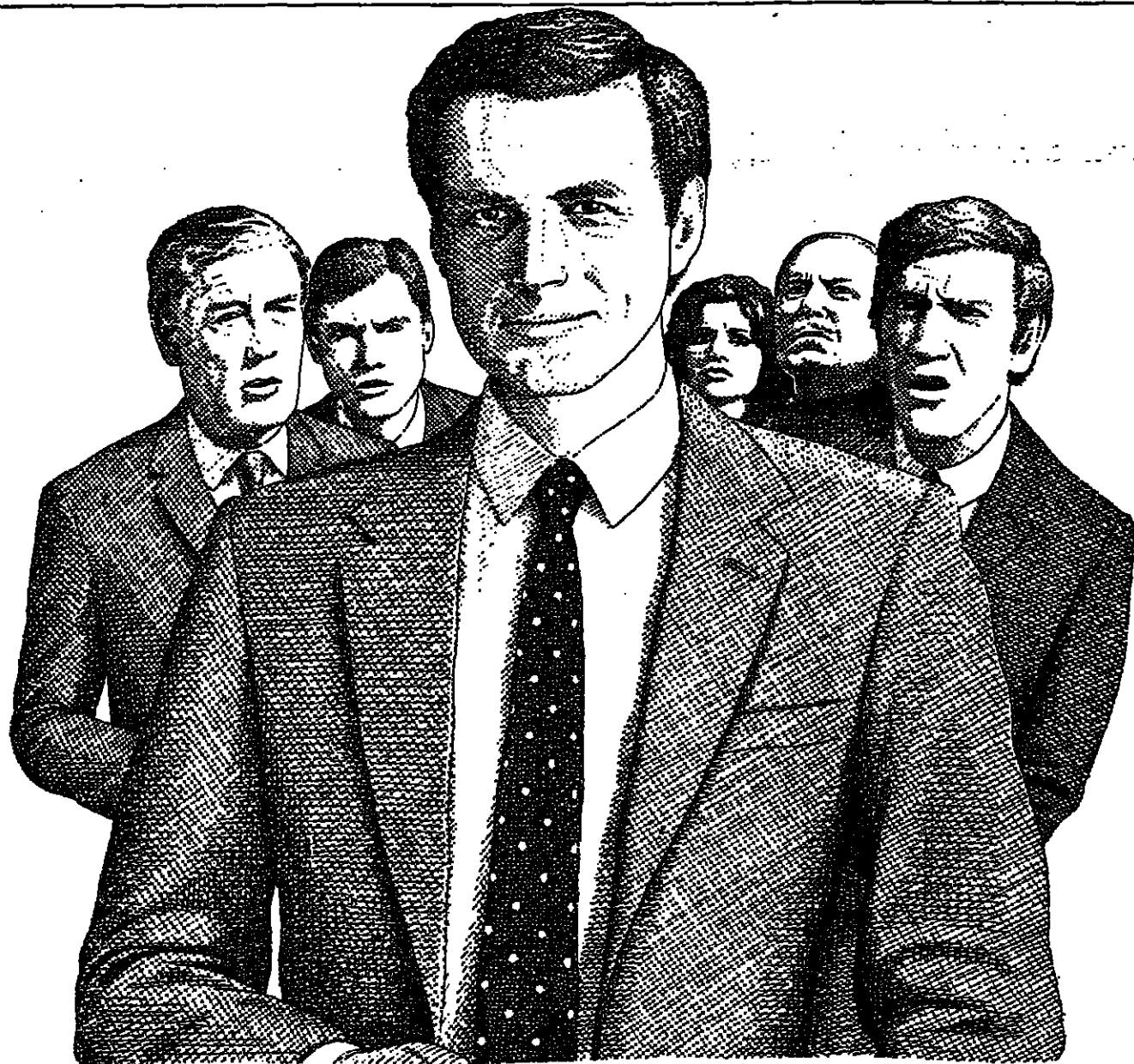
It is hoped to offer inclusive tours from London at a cost of about £2,000 for 14 days.

The FIDC is also to set up a property development company, with a capital of £750,000, to build houses, flats and a shopping arcade.

The corporation is likely to commission a second vessel to explore the inshore fishing possibilities for

crab.

Mr Ridley's department is understood to have been unsympathetic so far to the suggestion by Humberside's local authorities that it should write off all or part of the debt or



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Dental earnings under scrutiny

By Walter Ellis

HIGH EARNINGS of some dentists within the National Health Service are being investigated by the Department of Health and Social Services.

A committee of inquiry is looking into claims that some dentists may be carrying out unnecessary treatment on patients and that present legal provisions are insufficient to prevent abuse of the system.

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UK NEWS

Miners' leaders tighten authority over union

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE NATIONAL Union of Mine-workers (NUM) has today voted to tighten its authority over its membership.

The vote, by 75 per cent of the 132 delegates, was an immediate walk-out by the 15-strong Nottinghamshire delegation. NUM officials now see a final split between the area - which worked during the year-long pit strike and - the national union as inevitable. The area council meets tomorrow to review its position.

Mr Arthur Scargill, the NUM president, said after the first closed session of the rules revision conference that the NUM area rule book - which the area's members had voted by a 76 per cent majority to retain - was "clearly in conflict" with the new national rules and area model rules.

"It would hope the area would have a rethink," he said.

Mr Roy Lyrik, the NUM area secretary, said last night that the new rules were "abhorrent" to his members. He said he hoped that the area could remain within the national union "if it is possible to operate two separate rule books" - a possibility which Mr Scargill dismissed.

The NUM delegates will today continue to discuss amendments to the new rules - few of which are likely to be carried because of the need to secure a two-thirds majority.

One of the rules passed without amendment yesterday stripped the president of his casting vote and thus put him beyond the powers of the 1984 Trade Union Act, which enforces five-yearly elections for all union national executive members who have a vote.

Mr Scargill argued that this merely clarified a position which already existed in the old rules which, although laying down that he had no vote, also gave him a casting vote in certain limited circumstances.

He may thus be "president for life" - which, in his case, would be retirement at the age of 65 in the year 2003. However, Mr Scargill said last night that he continued to be a supporter of periodic elections for officials.

Only one proposed rule was cut out in an amendment, by a single vote. That was a new rule giving associate membership to "all those persons who, in the opinion of the NEC are suitable". It was intended for members of the women's and other support groups.

Mr Scargill said that the new

category of honorary member - which was passed in the rule changes - could take in such people.

The pattern of voting yesterday suggests that the bulk of the 33 new rules will be passed today. These would give the NEC:

● Powers to call part of an area, an entire area or more than one area out on strike - though a full national strike call would still require a ballot vote.

● The right to merge or dissolve areas and transfer individual members or groups of members from area to area.

● Powers to indemnify all executive members in respect of every act done as a member, provided it was done with the prior or subsequent consent of the executive. This rule would apply retrospectively.

● The ability to raise levies from the membership.

Mr Scargill, who has stressed that the new rules have been very carefully considered by the union's legal advisers, said last night they were largely intended to "modernise and clarify" the rule book.

The small right-hand areas of Leicestershire and South Derbyshire are strongly opposed to the new rules and possibly with some support from other right-hand areas, may in effect seek to sidestep them.

MPs forecast upturn in demand for British-made steel

BY IAN RODGER

A HOUSE of Commons committee has forecast a significant upturn in demand for British-made steel next year and has therefore urged the Government not to allow the closure of any more large steel plants.

This recommendation, contained in the latest report of the all-party committee on trade and industry, adds weight to the campaigns being waged in Scotland and Sheffield, Yorkshire, to preserve threatened steelworks in those areas.

The MPs' report goes against the views of state-owned British Steel (BSC) and the European Commission, which foresees little or no growth in steel consumption in the next few years. The Commission has recently said that another 25m tonnes of EEC steel capacity should be closed.

Mr Kenneth Warren, chairman of the committee and a Conservative MP, yesterday defended the unanimous recommendation that no further closures be made as a commercial judgment, not a political one. He said BSC had become a very highly regarded steel supplier. "Customer happiness with BSC is very strong these days." When controls were removed from the EEC steel market at the end of this year,

the committee believed that BSC would make significant market share gains.

"I don't doubt the European Commission's figures, but surely BSC can get a bigger share of the EEC market," he said.

Mr Warren said he "would not second-guess BSC's view of the market."

But he feared that a major closure would leave the corporation with too little flexibility.

"We are saying that it is clear from the arithmetic that if they close more plants, they would not be able to meet an upturn in the market."

BSC has said it would like to close one of its three wide-strip mills. The Ravenscraig works in Scotland is considered the most vulnerable.

The committee's report was welcomed by Scottish industry and trade union officials. The Scottish Council Development and Industry said the Government "should act quickly to transform these eminently sensible recommendations into a corporate strategy for industry."

BSC has pointed out that there is still considerable excess capacity in its engineering steelworks, concentrated in the Sheffield area.

Rail arbitration scheme set up to settle customer complaints

BY OUR INDUSTRIAL STAFF

BRITISH RAIL has set up an arbitration procedure for unresolved customer complaints involving amounts up to £500.

Details of the scheme, which will be administered independently by the Chartered Institute of Arbitrators, are contained in a new BR booklet containing a code of practice and a guide to customer service.

The guide sets out publicly for the first time precise performance targets on many aspects of BR's operations. For example, it reveals that BR aims to provide sufficient ticket staff in stations so that cus-

tomers do not have to queue for longer than three minutes.

The code explains the procedures for ticket refunds and for making complaints and claims for compensation. BR aims to respond to written complaints within five working days.

One kind of case in which arbitration might be required would be that in which a family had missed a holiday flight because of a late train. The arbitrators' decisions will be final and legally binding on both BR and the claimant.

Mr Ivor Warburton, BR's passenger marketing director, acknowledged that BR was not yet meeting

many of its performance targets, particularly in responding to telephone inquiries. New monitoring equipment was gradually being installed throughout the country.

BR's service goals include: 85 per cent of Inter City trains should arrive within five minutes of specified times; 90 per cent of other passenger trains should also arrive within five minutes; telephone inquiries should be answered within 30 seconds; there should be an adequate number of seats on all trains except computer trains within London and the south-east of England; the interior of each carriage should receive a thorough cleaning once a day.

Investors sought for Logica VTS

BY GUY DE JONQUIERES

LOGICA, a leading UK computer software company, is seeking outside investors in its word-processor and office automation equipment subsidiary, Logica VTS, which is believed to be operating at a loss.

Mr Philip Hughes, Logica's chairman, said yesterday that it was discussing with several unnamed companies a variety of proposals, including establishing Logica VTS as a joint venture.

Logica had held discussions on Logica VTS earlier this year with Olivetti, the large Italian office products company, but these were

suspended several weeks ago. Olivetti has been heavily involved recently in dealing with serious problems at Acorn Computers, the UK company, in which it took a 49 per cent stake in February.

The talks are prompted by the feeling that in the medium-term one needs an alliance with a larger partner to compete against the big boys in the office automation field," Mr Hughes said.

Logica VTS, which has a factory near Swindon, Wiltshire, made a pre-tax profit of about £800,000 on sales of about £20m in the year end-

ed June 30 1984. But it is thought to have lost money since then. Logica made a pre-tax profit of £5.22m on turnover of £69.8m in the same period.

British Telecom is the largest customer of Logica VTS. This relationship could make the subsidiary attractive to other companies seeking to expand in the UK telecommunications market.

Mr Hughes said that there was no question of seeking investors in the main Logica group, which went public on the London Stock Exchange in late 1983.

Minister insists teachers' pay offer is final

By Ivor Owen

THE GOVERNMENT will consider establishing new negotiating machinery for teachers once their current pay dispute is settled and disruption in the schools has ended, Sir Keith Joseph, the Education Secretary, said in the House of Commons last night.

His continued insistence that no money will be made available by the Government in the present financial year to facilitate an improved offer brought angry protests from the Opposition benches and Mr James Callaghan, the former Labour prime minister, joined in demands for his resignation.

Teachers in England, Scotland and Wales have been seeking a 12.5 per cent pay increase, but have indicated in negotiations that 7.5 per cent might be accepted. The employers side has offered no more than 5 per cent but is prepared to put some parts of the claim to arbitration.

Sir Keith told his critics: "I am convinced that the country as a whole accepts, and most teachers accept, the Government's purpose of better education in our schools and I have taken steps that should enable teachers and employers to get down to negotiations to secure the extra funding which is on offer for next year."

Responding to calls for a new negotiating machinery for teachers, Sir Keith said he was "very willing to be convinced" that there was a better method than the existing Burnham Committee. But he stressed that even if the Government were to be convinced of the need for change legislation would be needed and there would, inevitably, be some delay before it could be introduced.

Sir Keith recalled that it was a Labour minister who introduced the change which gave the Government representatives on the Burnham Committee a veto, and emphasised that it was not used on Wednesday, when the latest round of negotiations broke down.

This clear-cut denial came after Sir Keith had been accused of instructing his officials to "wreck" Wednesday's meeting. Mr Giles Radice, Labour's education spokesman, had asserted that Sir Keith had used the Government's 15 block votes against the committee's proposals which had been supported by 19 of the 24 elected representatives.

Mr Radice said Sir Keith's "high-handed behaviour" had so angered the local authority associations that the Burnham machinery was on the point of collapse.

He described Sir Keith as a "wrecker" who had demoralised the teaching profession and undermined any chance of bringing the current turmoil in the schools to an end. Mr Radice said: "For the sake of our children you should resign before you do any more damage."

Brushing aside this demand, Sir Keith reaffirmed his willingness to have further discussions on the Government's offer to make additional funds available in the next financial year to improve teachers' pay provided they were linked to an assessment procedure, designed to achieve better educational standards in the schools.

He emphasised that such talks needed to take place without further delay.

Underwriters sue over £20m losses

MORE THAN 170 Lloyd's underwriting members have begun legal action over £20m of losses which they are facing at the London insurance market, John Moore writes.

A writ was issued in the High Court and served on Spicer & White (Underwriting Agencies) by lawyers acting for the underwriting members. The action is expected to be defended.

Among those suing over their losses are tennis personalities Mark Cox and Virginia Wade; Mr Neil Shaw, group managing director of Tate & Lyle; Lord Crawshaw; the Earl of Mexborough; the Earl of Ronaldshay; and Major General Sir John Younger.

The action alleges that the agency company was in breach of its duty when a syndicate, number 895, into which the members were grouped, took on more business than it was allowed under Lloyd's limits.

The underwriting members also allege that books and accounts were not properly kept and other records were not in order and unreliable.

For Lloyd's, the issue could become a test case. This is the first time that overtrading - or "overwriting" - has become a central issue in litigation in the Lloyd's market between underwriting members and their agents.

The legal action follows an attempt by Spicer & White and its parent company Willis Faber, the insurance broker, to arrange loan facilities to help the underwriting members meet their losses. But the underwriting members were unhappy that if they accepted they would have to agree not to take any legal action against any party involved in the affair until the period of the loans had expired.

In their legal action the underwriting members are claiming damages and interest.

DEALERS in the new gilt-edged market being planned for the City of London are more likely to succeed if they form part of larger groups, according to stockbrokers Greaveson Grant.

In an analysis of the 29 groups which have been approved by the Bank of England as primary dealers, the firm says that they have committed nearly £800m of capital to a market which currently has about £250m of turnover. Dealing volumes will rise, but not enough to allow all 29 to earn a satisfactory rate of return.

Greaveson, which will itself be part of a group headed by Kleinwort Benson, the merchant bank, says larger groups will be at an advantage because of their ability to run greater risks and absorb larger losses.

SALLY LINE, the cross-Channel ferry operator, plans to add a third chartered ship to its Ramsgate-Dunkirk route next year to cope with the growth in traffic and may order a new £20m purpose-built vessel, or possibly two, in two years' time.

The UK ferry line, which is owned by the Sally group of Finland, is also investing a further £5m during 1985 in the port of Ramsgate, having already spent £7.5m there since moving into the area in 1981. A new passenger terminal and other facilities costing £2m are planned for next year.

TOUCHE ROSS, the accountancy firm, has been chosen by the Government as advisor on accountancy matters during the privatisation of British Gas. The firm was chosen from a list of about eight applicants. Its most difficult task will be to guide the Government on distinguishing between assets to be counted as part of British Gas, which will be regulated and those which will be attached to non-regulated activities.

Chariot of fire or frustration?

There are around five million people in Britain who are what the rest of us call disabled.

Not just those confined to a wheelchair but anyone hampered by a physical disability. A slight limp, impaired sight or difficulty with hearing. Caused by illness or tragic accident, it's something that can happen to any of us at any time in life.

Sound of mind if not quite sound of body; the disabled desperately want to play a full part in society, both to contribute their skills and share in its rewards.

Yet with every move they make they are confronted with a mass of physical obstacles, sheer indifference and levels of discrimination (mostly unintentional) which would not be tolerated by any other section of the community.

See, even while writing this, we've fallen into the trap of constantly referring to "them."

When, really, we should be talking about 'us'.

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PHAB stands for Physically Handicapped and Able Bodied. Started in 1957, we exist to further the integration of the physically handicapped into the community.

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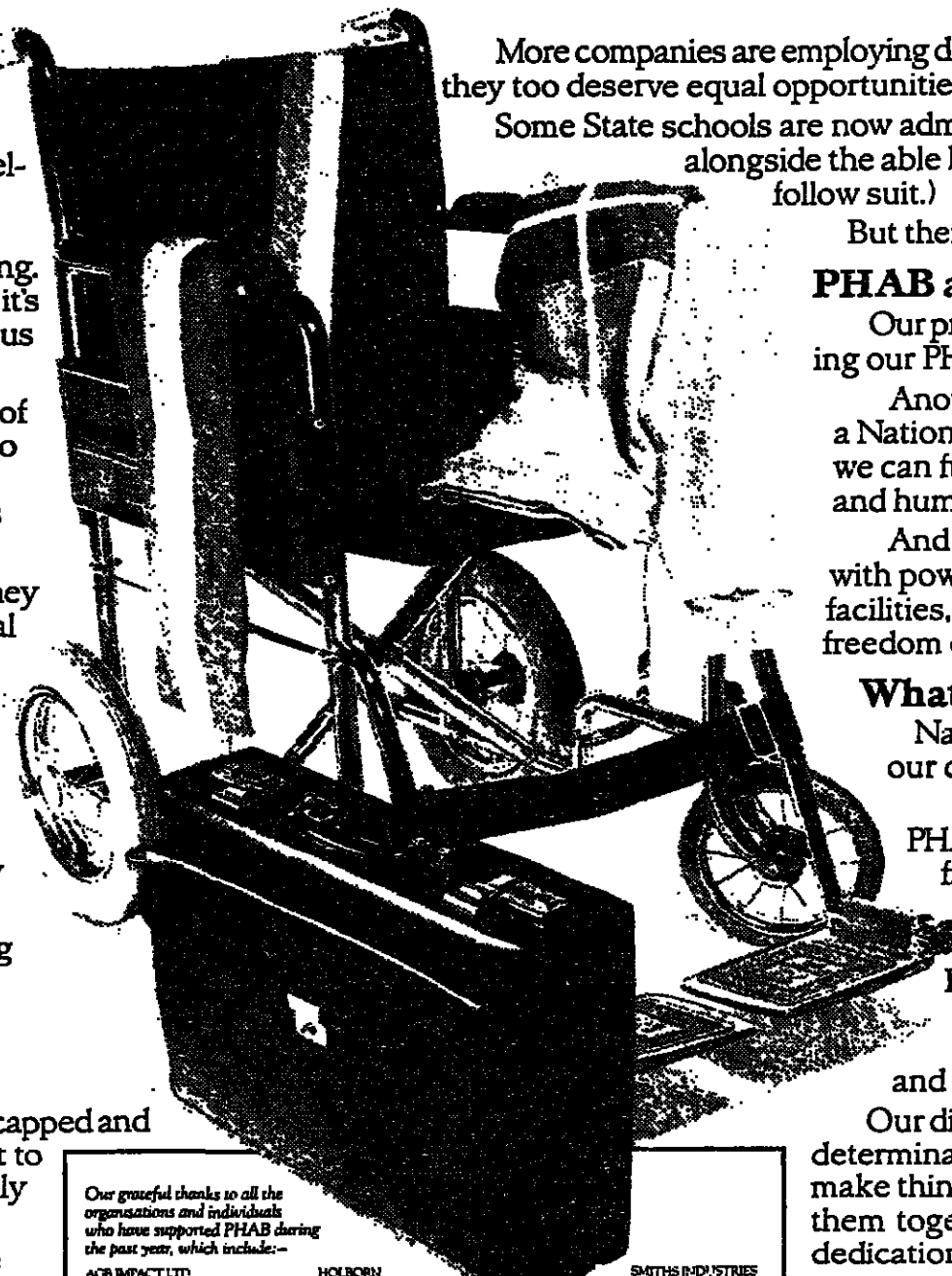
This is achieved mainly through over 450 junior, youth and adult PHAB Clubs throughout the United Kingdom, with an increasing emphasis on work with under 14-year-olds.

After all, a child with disability is, to another child, just another child. A lesson, hopefully, learned for life.

PHAB also organises residential holidays and courses for all age groups. And we have links, and exchanges, with similar organisations across four continents.

What has been achieved?

More shops, theatres, cinemas, hotels and public amenities are making life easier for people with disabilities.



More companies are employing disabled people, recognising that they too deserve equal opportunities.

Some State schools are now admitting disabled pupils to study alongside the able bodied. (Let's hope many more follow suit.)

But there's still much to be done.

PHAB and the future

Our primary aim is to keep on expanding our PHAB network and influence.

Another major target is to establish a National Training Centre, from which we can further develop our expertise and human resources.

And we'll continue to cajole anyone with power or influence into improving facilities, giving disabled people greater freedom of movement and access.

What you can do

Naturally, we hope you'll swell our coffers.

But money isn't everything. PHAB's success stems just as much from the involvement and enthusiasm of people like you.

There's bound to be a PHAB Club not far from where you live. Why not go along and see for yourself how much joy and encouragement we generate?

Our disabled friends have the fire and determination. Our able bodied friends make things possible for them. Put them together and you have PHAB, its dedication and success.

All we need are more funds and friends.

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THE PROPERTY MARKET BY WILLIAM COCHRANE

Single property trusts: methods and motivation

PUBLICLY and privately, single property investment vehicles have come in for a lot of discussion this year. On different occasions, various authorities have seen them as a way of solving problems of development funding, marketability—even the status of the chartered surveyor in the investment world.

Putting it simply, a unit trust, an investment company or a syndicate would be formed for the purpose of owning one single building—typically, the 580m City of London office block catering for the twin revolutions in securities industry practice and information technology.

For some years now there has been a perceived problem in funding buildings of this size and cost. Even the biggest institutions, goes the argument, will jib at putting much more than £20m into one property investment; but they might be persuaded to come into unit trusts, covering a spread of properties, came in for some criticism from Edward Luker, a partner in Richard Ellis.

He berated them for, among other things, the wide spread

between their buying and selling prices for units, and protracted redemption periods if holders wanted to get out.

Mr Luker also had reservations about the single property unit trust. "A lot of pension funds only started 10 to 15 years ago in property," he said. "They started with property unit trusts, were weaned off to direct property investment and now we're asking them to turn round again."

However, by May the Royal Institution of Chartered Surveyors working party on the unitisation of real property, chaired by C. R. Vaughan of Debenham, Tewson and Chinnocks, had published its consultative document.

The principal recommendation of this paper was that single property unit trusts should be authorised by the Department of Trade and Industry, so that a wider range of investors could be involved in the property market. Existing property unit trusts are unauthorised, and available only for investment by pension funds and charities.

Funding still came into the working party's considerations, but the focus was shifting, through marketing of existing buildings, to the marketability of paper, rather than bricks and mortar.

Then Christopher Jonas, managing partner of agents Drivers Jonas and chairman of the RICS Policy Review Committee, read a June paper which saw a market similar in concept to the Stock Exchange. Markets would be made through a

property unit, rather than the buy-back facility employed by existing property unit trusts managers.

From here on we were into the marketability of the chartered surveyor as an all-purpose commodity. Mr Jonas saw the agent as:

- Trustee of the units offered by a single property trust;
- promoter or underwriter, bringing individual buildings to the market in unit form;
- manager of such buildings;
- broker, agent or advisor to investors trading in units; and
- market maker in the units themselves.

Investors

There are a number of aspects of this debate which are worthy of consideration. Most of them revolve around motivation—of the developers, the investors, various industry bodies, individual firms of chartered surveyors or investment managers—and, perhaps, others who may not have been consulted to date.

Among the developers, Sir Jeffrey Sterling of the F & O/Sterling Guarantee combine said last week that he was sure that syndication would come in one form or another, in the meantime he was going ahead in partnership with Stockley on a refurbishment or redevelopment of Beaufort House in the City of London where the redevelopment option might cost between £50m and £60m.

Patrick Scott, who heads the Woodstock Finance team which has just spun off from Chase

Manhattan—and has single property unit trust financing very much in its sights—reckons that good developments will go ahead whatever the funding "problem", what unitisation would do, he says, is maximise the development profit.

There is nothing inherently wrong with that. As in retailing, where a modern shopping centre can go for nearly twice the yield, and half the value per square foot of a traditional high street unit, so big office buildings are valued at a discount for size and inherent illiquidity.

The question is who participates in the enhanced development profit. Rodney Pollard, property investment manager for Royal London Mutual, touches on this in an attitude which is basically all in favour of unitisation.

With its Triton Court, Finsbury Square building well on the way to full letting, Royal London has a single City office property investment worth £60m—really all that it can afford to have in one lump.

"We would participate in unitisation," says Mr Pollard, "and I think others would as well; it is an attractive way of getting into the mega-building market."

He would want to know: how he would play a part in the organisation of the development; how it would be managed; and how he would get out, if he wanted to sell. On the organisational angle, Mr Pollard would favour the involvement of a group of investors so that

they could share the development profit.

Like a number of other commentators—including Patrick Scott and Bill Harrington of stockbrokers Quilter Goodison—he thinks that multi-let buildings, rather than single tenancies, are the appropriate type for multiple ownership.

On the positive side, rent reviews for a series of tenants give a running guide to the growth or otherwise, of the investment's income. On the other, as Mr Pollard puts it: "The risks of letting a building to a single occupier can be much greater than generally perceived in the market."

When the emphasis switches from development funding to the marketing of existing buildings, Roy Coombs of merchant bankers Schroder Wages, chairman of the Property Unit Trusts, begins to get suspicious. "I would be watching out for the development which, though funded, has not performed as well as expected," he says.

Market

The Committee, mildly irritated by cheap shots from chartered surveyors, thinks that the RICS working party might have benefited from the inclusion of a property unit trust manager or a merchant banker or a stockbroker, since unitisation, finance and market making seemed to be the basis of its brief.

They say that their average spread between bid and offer prices is 5 per cent and that

this does little more than cover buying or selling costs; and that there is already a secondary market in unit trusts developed by a number of stockbrokers and merchant bankers—Phillips and Drew and Schroders among them—which is available as a speedier alternative to the redemption process.

On direct and indirect property investment, Roy Coombs says: "I know three pension funds which went direct about ten years ago. One is liquidating its properties and coming back into property unit trusts; one is exchanging most of its properties for units; the third is undecided, but it is likely to go the same way."

There is nothing, says the committee, to stop existing management groups setting up their own single property unit trusts. And there is also nothing, adds Stuart Ullman, secretary of the committee, which is new in the concept.

About the beginning of 1981, he says, property investment pioneer Jack Wickert of Esso put this very idea up to Jones Lang Wootton doyen Norman Bowie. What came out, eventually, was the 1986 formation of the Pension Fund Property Unit Trust (PFPUT), the forerunner of an investment sector dominated by merchant bankers and insurance companies.

Chartered surveyors can, and should get into this field. New blood has always helped the city evolve.

But they should remember what they are up against, in terms of the size and experience of the existing participants.

Green light for Bredero centre

THE SECRETARY of State for Scotland yesterday finally gave permission for Bredero's long-planned shopping centre on a 9.8-acre prime site adjacent to the new St Nicholas Centre and the recently expanded Marks & Spencer store in the heart of Aberdeen.

Bredero will be building 270,000 sq ft of shopping, 43,000 sq ft of offices and 1,050 car parking spaces, doubling car parking facilities in the city centre. The scheme will provide four major stores and 39 shop units, new bus facilities and a link road.

Letting agents are Knight Frank & Rutley, Architects are Jenkins and Marr of Aberdeen and Van den Broek en Bakema of Rotterdam, Holland.

● BTR has sold the head lease of the former Dunlop head office building in St James Street in London's West End to Guardian Royal Exchange, in association with Victory Land, for some £6m.

● Healey and Baker's second PRIME (Property Rent Indices and Market Editorial) looks for accelerated rental growth in high quality shopping, as long as supply lags behind demand.

On offices, even in the south east, it says investors should be careful. "Even in established locations, a two-tier market often exists between well-designed property and

that which tenants now regard as obsolete by modern standards."

On high-technology rents, the significant revelation is that the largest rental increases have been recorded in locations where public monies have been invested in infrastructure.

● Connells, residential and commercial estate agents, have paid £2.88m to acquire Collier and Madge, the London-based chartered surveyors and property consultants.

● Capital and Counties, still telling shareholders to ignore the bid from Liberty Life, has sold its Roger Malcolm house-building subsidiary for £6.5m cash to Bellwinch, a management buyout supported by a group of institutional investors.

Capco says that investing the capital released in the mainstream of the company's business, commercial property development, particularly of shopping centres, would not only improve the quality of the group's earnings but also increase the return to shareholders in the longer term through capital growth.

● Danny Desmond's Bride Hall Developments has bought the 8-acre Heston Distribution Centre adjacent to the Heston Station, half a mile from Junction 3 of the M4 and five miles from its intersection with the M25.

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MANAGEMENT

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Leadership

Sleeping giants begin to stir

Christopher Lorenz examines corporate attempts to break with bureaucratic habits

HELMUT MAUCHER freely admits that, until just a few years ago, Nestlé's sprawling worldwide organisation laboured under the weight of a herd of sacred cows:

- the use of vegetable fat by a company so dedicated to milk products was seen as taboo, no matter how lucrative the market opportunities;
- it was seen as "a sin" for a company so identified with soluble coffee to join its competitors in selling roast and ground coffee;
- no matter how attractive the range of potential new products, it was considered an immutable fact that consumers in certain countries thought dehydrated food was "second class" in comparison with canned and frozen products.

The company was also riddled by the "not invented here" syndrome—the attitude that if a new product was developed by, say, the Brazilian subsidiary, it was probably not worth trying in Germany.

"There are more dogmas in big companies than you might think," says Maucher ruefully.

Since becoming managing director of the Swiss-based food giant in 1981, Herr Maucher has set about changing all that. He has adopted a style of strong but open leadership, encouraging what he calls "management by provocation"—right down to starting people in the eye and asking them "are you part of the solution or part of the problem?"

He has ruffled plenty of feathers, both within and outside the company. But his style is proving effective. He has laid many of the sacred cows to rest. He has cut back bureaucracy (including planning and market research). He has tried to encourage a greater degree of market-orientated risk-taking on the part of decentralised business units. And he has succeeded in speeding-up decision-making while at the same time introducing a much greater element of co-ordination between Nestlé's plethora

of geographic and product markets round the globe.

Since the beginning of the 1980s, and the onset of Europe's current economic troubles, a bevy of large and medium-sized companies in many corners of Europe has embarked on a similar revolution. Like Nestlé, they are certainly making headway. But with even the best-managed American and Japanese companies constantly striving to improve, they have a lot of catching up to do.

In the front line of the European revolution is a number of fundamentally strong but sleeping giants such as BP, ICI and Unilever, which have begun to be shaken up by a new breed of non-nonsense chairmen and chief executives—ranging in style from BP's cerebral, restrained Sir Peter Walters, to the long-haired, hard-swinging Sir John Harvey-Jones of ICI.

Such leaders are giving their companies a new sense of direction, generally stripping them back to their basic businesses, and then grafting on a set of new activities which have been more carefully chosen than past diversification. Equally important, the new breed has begun to cut through decades of accumulated bureaucracy, and to alter managerial attitudes quite dramatically—its members have, in the fashionable jargon, set about changing the corporate culture.

As at Nestlé, the ground was prepared for them by a decade or more of gathering concern among a body of managers within the company at its growing bureaucracy and loss of touch with the marketplace. But in no case would the changes have occurred of their own accord. It is the leader with the courage to take action, says Professor John Stopford, Director of the Centre for Business Strategy at the London Business School. As Helmut Maucher himself points out, "the most difficult thing is to get people to change before the company runs into trouble."

A second, much larger group of companies has had no choice

but to attempt an even more urgent task: saving themselves from an abyss which was already yawning. But with a few exceptions, they too needed new leadership to initiate the necessary management revolution.

As with most of the sleeping giants, their recipe for recovery has included swinging rationalisation, all-out cost-cutting, and a sustained drive for higher quality in products and customer service. But it has also had to embrace the double-



quick erection of proper budgeting and control systems, and the instilling of greater management competence through a mixture of retraining and recruitment programmes.

In many cases this has been accompanied by greater decentralisation of day-to-day decision-making, with the centre retaining clear control over strategy; in some of the awakening giants, by contrast, American-style "strategic business units" have belatedly begun to creep into fashion, and there has been more of an emphasis on devolving strategic as well as operational responsibility.

One of the most successful recoveries from the grave has been accomplished by SAS, the Scandinavian airline which

since 1981 has been transformed by the all-round leadership skills—especially in marketing and staff motivation—of the Danish Jan Carlzon. From being one of Europe's least popular and profitable airlines it has become a practitioner of many of the principles earmarked in the Search of Excellence. "Close to the customer," "productivity through people," "shared values," "bias for action," and so forth. By also reinforcing the company's cost-cutting drive, Carlzon has restored the company's viability with remarkable speed.

Less widely publicised cases of Lazarus-like recovery include ASEA, the Swedish electrical equipment group, and Fisons, the UK pharmaceutical and scientific apparatus company. Countless other former laggards are now trying to achieve the same nail-biting miracle, including Italy's Montedison, Britain's Tate and Lyle, and Asahi-Sanri, the Swiss watchmaker which only a few years ago seemed doomed to extinction.

Most of these putative Lazaruses still have far to go before they achieve anything approaching "excellence". Some of the awakening giants, already highly systematic and just starting to be loosened-up, are, in theory, nearer the target. But are the changes in such companies sufficiently widespread and far-reaching to close the transatlantic management gap which this series of articles has identified? Even more to the point, can they narrow the gap with Japan?

It is not only certain European companies, but also particular nationalities, which have a better chance than others to apply the management principles which will be vital to future competitiveness. But the list of challenges is a daunting one, and overall, the auguries for Europe are decidedly uncertain.

● Overriding all else will be the need for Europe to develop a clear vision of where the company should be going and by which route, and to com-

municate this through the organisation in the form of an explicit set of objectives. Remarkably this essential step is only just starting to be practised by many European companies. "Five years ago the number which set clear objectives could be counted on the fingers of two hands," says Paul Evans, professor of organisational behaviour at Insead, the French-based European business school. To be effective, objectives must be much more than just a set of financial targets.

● In creating this corporate vision, top management must recognise that competition is already international, and in many markets is going global. Strategies and structures will have to be changed accordingly, and alliances forged with foreign partners. Robb Wilton, chairman of ICL, complains that many European company chiefs are still nationally myopic.

● Companies must improve the sophistication of their marketing, especially their customer segmentation and the differentiation of their products and services. A new breed of European companies, epitomised by the Benetton clothing group and IKEA, the Swedish-based discount furniture chain, have shown what can be achieved—in true Japanese style—by changing the rules of the game in particular markets, going international fast, and combining this with imaginative inventory management and materials handling.

But most established companies have so far failed to innovate so dramatically—or even to respond to pressing competitive challenges. An extreme example was Michelin's refusal to react to U.S. demand for all-weather tyres, an error which helped create its current crisis.

● Having built competence in particular functions, companies must develop the ability of managers at all levels to think more clearly and strategically. Many German executives "lack the ability to synthesise func-



tion perspective," says Stopford.

Herbert Hendler of McKinsey & Co. in Britain, too, "managers need a lot of LBS. Few European companies of any nationality invest enough effort in management development."

● Companies must cut back bureaucracy. Much supposed streamlining all too easily becomes a delegation of bureaucracy to lower levels. When Bayer freed its board from day-to-day operational responsibility last year, to let it concentrate on strategy, the German chemical giant created a new tier of co-ordinating management ("sectors"), and a stronger corporate staff.

By contrast, U.S. General Electric, always an international pace-setter in management structure and styles, has slashed its central staff and disbanded several of its sectors, so that a number of units at lower levels in the organisation now report direct to GE's three-man corporate executive office.

● Companies must stimulate risk-taking and entrepreneurship. "In many companies you can do 10 excellent things and then get hanged if you make just two mistakes," says Professor Hermann Simon, head of

USW, Germany's leading executive education centre.

Three main factors make it difficult for some European companies to rise to these challenges:

1. Leadership. As Maucher, Harvey-Jones and Co have shown, Europe's sleeping giants are in need of more incisive leadership, not only at the top, but at various levels in the organisation. This requires more direct discussion and confrontation between managers. As in many U.S. companies, such conflicts are accepted in Scandinavia, and increasingly in Britain. But they are consciously avoided in many German and French groups. Professor Dominique Heau of Insead knows at least one major French company where the word conflict is expressly taboo—"this is a manifestation of poorly-analysed problems," he says.

In most German companies, individual leadership is actively discouraged, especially at board level. Many large groups are suffering from rigid boardroom attitudes, complains Simon of USW. As a result "a lot of companies are having to change in spite of top manage-

ment, rather than because of it." He detects "a huge generation gap" inside such companies, and reports that "guerrilla warfare" is rife, with second or third-level executives acting in direct contradiction to top management decisions.

2. Managing ambiguity. For a multinational to achieve the ideal balance between centralisation and decentralisation, tightness and entrepreneurship, it needs to be able to operate with a flexible mixture of what "In Search of Excellence" called "loose-tight controls." Such ambiguity may be acceptable in straight-forward the shoulder cultures such as America and Scandinavia, but it is foreign to the French and Germans. "French people find it almost impossible to manage ambiguity," says Heau. "Germans are not good at it, either," adds Simon.

3. Managing complexity and diversity under pressure. A welter of factors is increasing the complexity of business management, and the pressures under which companies must operate. They include: globalisation; growing interdependence (technological, market, or otherwise) between previously distinct parts of the company; the shortening of product life cycles; and the need radically to improve the co-ordination of research, development, marketing and production.

Yves Doz, professor of business policy at Insead, stresses that these trends are by no means confined to high-technology industries. Against the background of Europe's other managerial shortcomings, he questions the ability of many European companies to manage such complex, systematic problems under intense time pressures. "Europe's past successes have been concentrated in stable and predictable industries," he points out.

In the face of such odds, it will be difficult for many of Europe's awakening giants to close the managerial gap with America and Japan. As Professor Doz, Simon and many others agree, much will depend on the ability of a new generation of top, senior and middle managers to break with the bureaucratic habits of a comfortable past, and to develop a new combination of vision, leadership, rigour, and flexibility. Otherwise Europe will remain a bunch of managerial and competitive tortoises. * Harper and Row £12.50 (£8.50 paperback).

Previous articles in this series appeared on June 17, 19, 21, 24, 26, 28, July 1 and 3. The next will be published on Monday.

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TECHNOLOGY

Method and madness in Lloyd's new building

Jane Rippeteaux explains the technology holding up London's oddest piece of architecture

MANY OF THE world's most technically advanced buildings are wrapped in flat walls of glass and metal, provoking little curiosity about what lies beneath. The new Lloyd's of London building, now almost complete, is quite the opposite. With service cranes on its roof, staircases on its exterior, thick glass walls, and towers jutting off in different directions at different heights, it almost begs for an explanation. And that is just what the architect wanted.

"A building should be read," says Richard Rogers and Partners. "You should be able to see what makes it work." He has become famous apply-

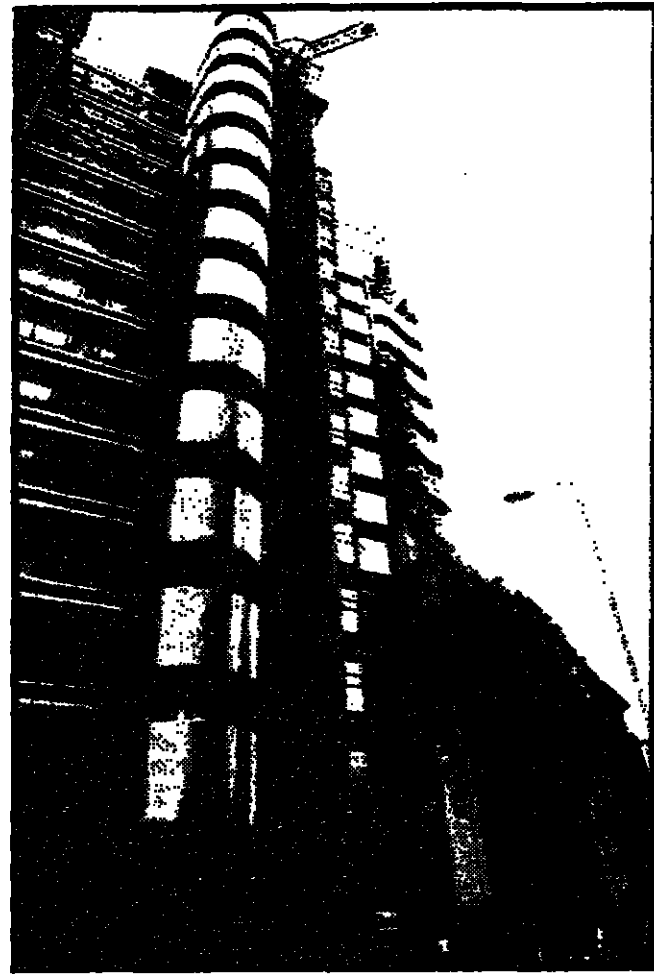
Barker, director of Ove Arup and Partners, which handled structural as well as mechanical and electrical engineering for the building. "The office area is completely uncompromised."

This was the key for Lloyd's. Having outgrown two new buildings, this century, it wanted to triple its underwriting space without losing its layout as a single marketplace. That marketplace is part and parcel of Lloyd's business; brokers can shop around among dozens of underwriters for the best deals for chunks of insurance risk. It is felt that this marketplace will be preserved by the column-free floors and glass-walled atrium that allows people on different floors to see each other. The format also meets Lloyd's requirement for a building that allows future expansion to the rest of the building. Upper floors, initially leased out, can be reclaimed if needed.

Despite all these unusual features, there is, from an engineering standpoint, nothing revolutionary about the building. What is unusual, however, is how existing technology has been adapted by Arup's engineers to satisfy architectural ends. A problem over how to attach the satellite towers to the rest of the building illustrates the process of innovation in engineering that is essential to making architecturally unusual buildings possible.

"The towers had to be tied to the main building or they would fall over," says Turker O'Brien, head of Arup's 40-strong research and development unit. But, because the towers are structurally independent, they move differently, they settle differently and they have a different temperature expansion. That made for a very complicated joint.

The project engineers turned to Mr O'Brien's unit, a large and diverse entity for a structural engineering company. Brainstorming sessions included specialists in structures, materials and even coating products. The final purpose was not usually to find the solution, but rather to identify the constraints. His team often can quickly see several solutions,



One of the six satellite towers with, right, the facade of the old Lloyd's building

and will begin by suggesting them so that the designers will react, complaining "it looks terrible, costs a fortune or does not fit" in a process that forces them to be specific about what they want, he says.

One of the key constraints concerning the joints had to do with construction difficulties. The site of the project, in a congested heart of the City, is very tight. Large heavy pieces of steel must be delivered by lorries at night, and erected immediately because there is nowhere to store them. The joints, then, had to be of a design that could be fixed quickly at night.

After such a session, O'Brien's team will talk with suppliers, search through literature, and discuss ideas among themselves. The joints problem was solved, with a system including stainless steel plates and epoxy

resins that could accommodate differential movement as well as speedy assembly.

Richard Harty, director of the parent company, the Ove Arup Partnership, says innovation in engineering more often occurs through painstaking effort than sudden revelations. Solutions "come from the very boring process of being utterly logical."

An aspect of Lloyd's that Arup engineers are especially proud of is the mechanical system. Air conditioning will be channelled up from the floor, rather than down from the ceiling as in conventional systems. Heat generated by people and machines will be captured through ceiling ducts and blown through cavities in the glass wall exterior. In winter, it will feel warm to the touch and act something like a radiator. Also, each worker will have ready

access to advanced computer and telecommunications facilities.

The floor itself is one giant service duct. Originally developed by Arup, it comprises modular tiles that can be popped up and swapped with other tiles so that electrical and ventilation outlets are where the person wants to be, not the other way around. In typical offices, says Mr Barker, "every position is moved once in five years. It is a perennial problem."

Many office buildings have concrete slab floors, and to shift such services as computer and telephone cabling involves drilling through them. With the advent of information technology, this has become a real problem in commercial buildings erected as recently as the 1960s. "Lloyd's is moving into information technology a lot faster than they thought they would," says Mr Barker, and it wanted to retain maximum flexibility for rearranging space.

Individual members, at their discretion, will be able to install computers and modems at their work stations. Staff also will have control over their individual heating and cooling needs; on the underwriting floor air will be funnelled through the furniture — specially designed underwriting boxes equipped with fan and lighting controls.

Mr Barker says the Arup floor system has been in development for 10 years, and has been used so far in four other buildings. It is new, but not revolutionary. "It's a new way of bringing things up from the floor," he notes.

All lighting is in the ceiling — there is no task lighting — and each lamp is equipped with its own electronic control. This is a technical feat, says Mr Barker, and each lamp is controlled by a central computer. Each employee will also have a button on his desk to control his own light. If one space is lit, the lighting can be modified by changing the codes, rather than by expensive rewiring.

All these gadgets are expensive, of course, and are unlikely to be widely adapted for more office buildings. Does that matter? "Why does every building have to be in the mainstream?" argues Mr Harty. "When we look at what interests us in the past, it is the cathedrals, the public buildings, the buildings that are different from ordinary buildings." Mr Barker has a simpler answer: "It is expensive, but it is architecture."

Girobank in fight to close automation gap

The Post Office, once a leader in electronic banking, is now trying to catch up, reports Ian Hamilton Faze

NATIONAL Girobank, struggling to cope with 20 per cent year growth, is to bring in technology that its developer, the software house CAP, believes could change the face of banking in Britain.

Although there is nothing new in the Tandem and ICL hardware involved, the way it is being used will transform Giro's operations.

A national electronic network is being created that will eventually involve 1,900 customer account clerks, each equipped with a terminal. They will be able to use the network for sending messages and electronic mail, as well as real time instantaneous communication with the accounts database, so speeding up transactions dramatically.

The network will also increase Girobank's competitiveness, to compete to expand its narrow range of financial services. Negotiated overdraft limits — at present Giro customers can have only small "convenience" overdrafts — will be among the first to go, probably within two years.

This will open up the small- and medium-sized business account market to Giro. Special banking packages for selected groups, such as solicitors or newsgroups, are planned.

Mortgages, savings schemes, deposit and loan services are expected to follow, allowing Giro to compete directly with the big four clearing banks in virtually all sectors.

At the same time, the system is being designed with an eye on the future and will be expected to cope with cashless shopping.

This is particularly important for Girobank, which already handles about 30 per cent of the UK's retail takings. Corrie and Spencer, W. H. Smith, Sainsbury, Woolworth and J. Sainsbury.

Girobank's systems director, Mr Michael Hind, sees other possibilities for financial service in the retail sector. "Why shouldn't Marks and Spencer agree to have its charge card accepted in any store?" he says.

All these developments are rather ironical, since Giro in recent years has been behind the times, rather than ahead of them, though when it began in 1969, its technology was "state of the

art," with a centralised, tape-based, data processing system. But since this works off-line without direct communications with the computer and with information having to be updated in batches, it requires centralised manpower and consumes a lot of tape. The system gave faster access to everything, by post.

The disadvantages of the 1960s system were revealed as the more conventional banks developed disk-based computer systems in their branches, which gave faster access to everything, by post.

Nevertheless, growth and profits have mounted steadily since the mid-1970s, and certainly fast enough to enable Giro to fund technological development out of revenue.

Nearly 500 have been sent so far, with more than 100 going to CAP for systems development.

Mr Hind says: "We have 1.8m personal customers. We are about fifth or sixth in the size league. We are never quite sure because we are growing at 20 per cent compound per year."

This scale of growth also made it imperative to attempt a technological leapfrog towards the year 2000. If Giro had tried to carry on with its tape-based, centralised batch system it would never have coped, requiring more and more clerks to handle the paperwork.

As it is, 60 fewer staff will be needed in the 240-strong Bootle computer centre, but no compulsory redundancies are planned.

Management is determined, however. "We anticipate that our new systems will help us move to the forefront of British banks in personal and retail banking. It will move us from being a step behind to at least being up with the leaders."

"We must be ready to compete with the Trustee Savings Bank and the building societies."

Attack on Legion disease

DEVELOPING SUBSTANCES which destroy the bacteria which cause Legionnaires' disease has become a growth industry in its own right.

Laporte Industries, of Widnes, Cheshire, has been testing a peroxynitric acid called "Proximate 1587" which kills Legionella bacteria in minutes.

The bacteria are known to multiply under certain conditions in water cooling systems and to cause an influenza-like condition which can be fatal. Proximate kills the bacteria and also destroys the slime layers which can be their breeding ground. Laporte claims, by oxidising the sludge and controlling algae before breaking down to non-toxic residue, it does not therefore add to water pollution.

Satellite transistor

GALLIUM arsenide is continuing to fulfill its potential as the semiconductor of choice for high speed processing.

This week Fujitsu of Japan announced it had developed a gallium arsenide transistor suitable for satellite communications.

Fujitsu's device is a field effect transistor (FET) able to amplify high frequency radio waves. Installed in satellite transponders used to relay radio signals between earth stations and satellites, it will improve the quality of communications through space.

It makes possible the development of more compact lightweight transponders, replacing the vacuum tubes presently used.

The new transistors can produce more than three watts of output and will last for 1,000 years. Vacuum tubes produce 10-15 watts and last for 10 years.

THE ARTS

Arts Week

Music

LONDON

London Symphony Orchestra conducted by Gennadi Rozhdestvensky with Oscar Shustrik, violin and Leonid Kozlov, cello, Shostakovich, Brahms and Vaughan Williams. Barbican Hall (Mon), (038 8891).

ITALY

Rome: Teatro Ghione (via delle Fornaci 37) piano recital by Ian Hobson (winner of the 1981 Leeds competition). Mozart, Chopin-Godowsky and Liszt (Tue), (03 72 294).

NETHERLANDS

Rotterdam: De Doelen. Mario Venanzo conducting the Youth Orchestra of European Countries, with Stefan

Muhsenbaler, violin. Schumann, Hummel, Mendelssohn, Debussy, Liszt (Wed), (142911).

VIENNA

Vienna Symphony Orchestra, conducted by Jean Fournet. Handel, Mozart and Ravel (Mon). Ardenhof or Musikverein in case of rain.

NEW YORK

Mostly Mozart Festival (Avery Fisher). Opening night: Leonard Bernstein conducting by Gerard Schwarz with Ely Ameling, soprano, and Horacio Gutierrez, pianist (Mon, Wed). Kalichstein-Laredo-Robinson Trio with Ely Ameling, soprano, Harold Wright, clarinetist, Kim Kashkashian, violin, Mozart, Handel, Mendelssohn, Schubert (Tue). Viva Vivadi! program of Viennese concertos conducted by Alexander Schneider with Christopher Parkening, guitarist and Mozart Festival Orchestra players (Thur). Lincoln Center (874 2424).

HOLLYWOOD

Hollywood Bowl: Los Angeles Philharmonic conducted by Leonard Slatkin with Andre Watts, piano. Schumann, Saint-Saens and Dvorak (Wed). Music by Ludwig Minns and Gluck. Rachmaninov and Prokofiev (Thur). Kiri Te Kanawa accompan-

ied by Martin Katz (Wed), (213) 850 2000.

CHICAGO

Revista Festival (Highland Park): National Symphony Orchestra conducted by Leonard Bernstein plays Sousa marches, American music and Ben Shostakovich with Clara Dale, soprano, Greenleaf Bean, contralto, Lucille Bear, mezzo-sop-

Summer music in France

Abbeville (July 10-31): English Baroque Soloists, Ensemble Instrumental de la Chapelle Royale, Ghent's Vocal College, Lyons Opera Orchestra, Purcell, Bach, Mozart (42) 231120.

Albi (July 21-Aug 4): Summer headquarters of the Ensemble Orchestral de Paris and its director Jean-Pierre Waller, with the addition of Sylvio Gualde's percussion and a guitar evening with Ale Ander Lagoya. (83) 542094.

Avignon (July 6-31): A dozen concerts to celebrate the Year of India and an organ cycle built around Bach. (90) 82 65 11.

Comminges (July 18-Aug 23): A

magnificent 16th century organ attracts l'Orchestre du Capitole de Toulouse conducted by Michel Plasson, with Gabriel Tacchino, soloist, followed by Jean-Pierre Waller, violin, and Aldo Ciccolini, piano. Organ recitals and Toulouse Quartet. (61) 88 32 00.

Montpellier (July 6-Aug 4): Celebrates its 1,000th anniversary with a Radio France International festival, Darmstadt's Konzentration with Rostropovich, Lyons Orchestra conducted by Serge Baudo, Radio France Nouvelle-France Quartet. (61) 88 32 00.

Paris (July 6-31): A dozen concerts to celebrate the Year of India and an organ cycle built around Bach. (90) 82 65 11.

Comminges (July 18-Aug 23): A

lady of easy virtue. The Barber of Seville by Giovanni Paisiello (pre-dating Rossini's version by 30 years) directed by Maurizio Scaparro and conducted by Marcello Viotti, with Roberto Coniglio (Vigano).

SPAIN

Madrid: Teatro de la Zarzuela. An all-time appearance in his own country of tenor Placido Domingo in Otello, conducted by Luis Antonio Garcia Navarrete, artistic director. (21 6510).

Granada: Casa de la Cultura. The Ballet Der Deutschen Oper am Rhein directed by Paolo Bortoluzzi. Programme includes Balanchine's choreography to Bach and Homage to Tommaso Albinoni to Erich Walter's choreography. The cast includes Laurence Benedetti, Valerie Chigione, Monique Janota, and Claudia Jung. (23 3011).

NEW YORK

New York City Opera (NY State): The 41st season includes four new productions Norma, The Love for Three Oranges, Kismet and Casanova. In the 20-week repertoire that opens this week with The Student Prince and La Rondine. Lincoln Center (870 5580).

Granada: Teatro de la Zarzuela. A mixed programme of Japanese Theatre and dance takes up a fortnight's residence in Lincoln Center. (382 9000).

New York City Ballet (Saratoga): A week of A Midsummer Night's Dream is followed by mixed programmes including Afternoon of a Faun and La Valza as the company takes up a three week residence. Saratoga Springs, NY (518 587 3330).

Exhibitions

LONDON

The Tate Gallery: Francis Bacon, British artist, 1909-1992. A retrospective exhibition at the Tate, 20 years after his reputation as an artist of world standing was first put beyond all doubt. Now we see him no longer as a unique and extraordinary figure, but as an artist who has come to last in his own, as younger painters have come round again to the human figure as the central, creative preoccupation. As the subject matter is now more acceptable, so his peculiar and tormented re-invention and reconstruction of the figure no longer shocks. Ends Aug 18.

Paris: An important exhibition of the most serious of the impressionist painters, who never tired of glorifying the nude female body capturing the light, comes to Paris from the Hayward Gallery, London. It consists of some 125 paintings and 50 drawings, including La Bal du Moulin de la Galette and La Danse à Bougival, Grand Palais, Closed Tue. Ends Sept 2 (281 5410).

Corvet to Picasso. The range of French 18th and 19th century masters assembled by the art merchant Robert Schmitz comprises an important De-gas pastel La Conversation and a Van Gogh, unusual both for technique and the theme of the Seine. On the first floor the sunshine comes in with Vuillard, Bonnard and Dufy. Picasso's large Buste d'Homme faces an equally large

Bruegel still life. There is a dream-like landscape and a strong blue, red and white one by De Stael. Galerie Schmitz, 38 rue Saint-Hippolyte, Paris, Closed Sun and Mon 12pm-6pm. Ends July 20.

Robert and Sonia Delaunay: for their 100th anniversary of their births, his in Paris and hers in the Ukraine, a retrospective of some 300 objects, paintings, drawings and decorative projects brings to life their joint artistic adventure. Whether exploring abstract painting or disorientating relief floor images, their colours are vibrant, their joie de vivre explosive. Musée d'Art Moderne, 11 rue du Président Wilson, Closed Mon, Wed late closing. Ends Sept 8.

Performer: An enchanting exhibition in praise of perfume assemblies 550 objects, mostly phials, bottles and perfume fountains from the 16th to the 19th century. Some were made of Venetian porcelain, others of Bohemian cut glass or from gold and enamel in England. There are silver pomanders with pearls opening up and Chelsea china statuettes. They all show exquisite workmanship and some of perfume's power to beguile. Le Louvre des Antiquaires, 2 Place Palais Royal. Ends Sept 15.

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blake-Morley's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (03 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollercoasting folly has 10 minutes of Spielberg movie magic, an exciting first half and a swindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock country and hot gospel. No child is known to have asked for his money back. (03 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dances collides with the Ballet Russes. Gems include "The Girl on the Train" and "The Girl on the Train". The show is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (03 6188).

Me and My Girl (Adelphi): Speak, act and enjoyable revival of Brit-

BRUSSELS

Hotel Metropole is celebrating its 90th year and in its splendid *fin de siècle* public areas, worth a visit in themselves, they are exhibiting glass and objects d'art from the Belle Epoque to Art Nouveau including works by Wouters, Galle and Daum. Also on show are a collection of illustrated menu cards including a Press Banquet in 1893, Congo in 1898 and Sarah Bernhardt in 1896. Ends July 20.

Tony Garg - a major exhibition of one of the 19th century's most important sculptors. Palais des Beaux Arts. Ends July 28.

Venice, Palazzo Fortuny: Toys for the science-fiction era, showing how vast more sophisticated robots have become since first produced in the 1950s. Ends July 14.

Florence: Museo Archeologico (Piazza SS. Annunziata) - The Etruscan Civilization: This is the first of a long series of exhibitions to mark The Year of the Etruscans, and shows the results of the most recent research into the Etruscan world. A useful history of this civilization's birth, development and decline. Ends Oct 20.

Munich: Staatsgalerie moderner Kunst, Prinzregententempel. 1. German Art since 1900. 200 paintings, prints and drawings by 15 artists from the private collection of the German Prince Franz von Bavaria. Among them: Bayes, Richter and Kiefer. Ends Sept 15.

Kassel: Adlon-Hotel-Gesellschaft, Rathaus am Deich. To honour the late Franz Radziwill on the 90th anniversary of his birth. Ends July 28.

ain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical since Michael Crawford. (138 7811).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the posh and a shrieking underdog. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Guttery's imposing design of bureaucratic bunnies, the show has a sort of monumental seriousness as well as nightmarish tedium. New translation by Adrian Mitchell. (028 2252).

The Mysteries (Lyceum): The theatre of Henry Irving and Joe Loss restored for theatrical performance after 40 years. Bill Bryden's NT production in three parts is not to be missed, one of the great events of recent years. All three shows played on Mondays for this limited run. (378 2655).

Guys and Dolls (Princes of Wales): The 1952 National Theatre production has arrived in the West End, if anything improved by the new casting of John Guttery's imposing design of the Belle Epoque to Art Nouveau and the notably well sung black Sky Master-son of Clarke Peters. Richard Eyre's production and John Guttery's affectionately lavish designs complement the music with its backstage story in musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (03 6881).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's comic of memories and jokes about a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (03 6881).

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Munich: Staatsgalerie moderner Kunst, Prinzregententempel. 1. German Art since 1900. 200 paintings, prints and drawings by 15 artists from the private collection of the German Prince Franz von Bavaria. Among them: Bayes, Richter and Kiefer. Ends Sept 15.

Kassel: Adlon-Hotel-Gesellschaft, Rathaus am Deich. To honour the late Franz Radziwill on the 90th anniversary of his birth. Ends July 28.

NEW YORK

Cats (Winter Garden): Still a sellout. Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically felicitous, but classic only in the sense of a rather staid and overblown idea of theatricality. (238 8282).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like the Shuffle Off to Buffalo with the appropriately brash and leggy boogie by a large chorus line. (977 0020).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, A Is Supreme, without the quality of their music. (238 6200).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's comic of memories and jokes about a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (03 6881).

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Hotel Metropole is celebrating its 90th year and in its splendid *fin de siècle* public areas, worth a visit in themselves, they are exhibiting glass and objects d'art from the Belle Epoque to Art Nouveau including works by Wouters, Galle and Daum. Also on show are a collection of illustrated menu cards including a Press Banquet in 1893, Congo in 1898 and Sarah Bernhardt in 1896. Ends July 20.

Tony Garg - a major exhibition of one of the 19th century's most important sculptors. Palais des Beaux Arts. Ends July 28.

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Bruegel still life. There is a dream-like landscape and a strong blue, red and white one by De Stael. Galerie Schmitz, 38 rue Saint-Hippolyte, Paris, Closed Sun and Mon 12pm-6pm. Ends July 20.

Robert and Sonia Delaunay: for their 100th anniversary of their births, his in Paris and hers in the Ukraine, a retrospective of some 300 objects, paintings, drawings and decorative projects brings to life their joint artistic adventure. Whether exploring abstract painting or disorientating relief floor images, their colours are vibrant, their joie de vivre explosive. Musée d'Art Moderne, 11 rue du Président Wilson, Closed Mon, Wed late closing. Ends Sept 8.

Performer: An enchanting exhibition in praise of perfume assemblies 550 objects, mostly phials, bottles and perfume fountains from the 16th to the 19th century. Some were made of Venetian porcelain, others of Bohemian cut glass or from gold and enamel in England. There are silver pomanders with pearls opening up and Chelsea china statuettes. They all show exquisite workmanship and some of perfume's power to beguile. Le Louvre des Antiquaires, 2 Place Palais Royal. Ends Sept 15.

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THE ARTS

Cinema/Nigel Andrews

Culture clash in rural England

The Assam Garden directed by Mary McMurray
The Little Drummer Girl directed by George Roy Hill
A Taste of Water directed by Orlov Seunke

The motto for British cinema in the 1980s has been, "If it is Indian, shoot it." After *Gandhi* and *A Passage to India*, *The Assam Garden* is a piece of homegrown India showing that the mysticism of the East can be portrayed no less eloquently in cloudy Britain than in the searing sub-continent. And for a mere £750,000, to boot, rather than £20-odd million.

Elizabeth Bond's tangy original screenplay lets cultures clash in south-west England. Freshly widowed Deborah Kerr tries to restore a fluster to her wounded heart by tending the "Assam Garden" left behind by her ex-colonial hubby: a wilderness of improbable tropic growths gazing up at the English sun. And she strikes up an equally tangled friendship with council estate immigrant Madhur Jaffrey, a sweet and sardonic girl who keeps pottering into Kerr's demesne, bringing rice and gifts and ignoring the lady of the manor's brusqueness, until a friendship starts to flow amid the palms and bamboos.

Kerr wants Jaffrey's company because the Indian can help get the garden straight in time for the rice from "Great British Gardens" (Alec McCowen) and the chance he brings of horticultural immortality. Jaffrey, pinning to her homeland, cultivates Kerr as she shares out with her Anglophile husband (Zia Mohyeddin) and persuade him to return with her and family to India.

Bond's script neatly stuffs out these characters and their tangled search for old roots and new. Kerr is a cranky, wilful matriarch, whose Indian memories prompt her to treat all dark-skinned persons as life's bearers and servants ("Help me in the garden!" or "The tea's in the caddy!" she snarls). Jaffrey is a beautiful exotic growth, as ill-transplanted to England as the ailing banana trees that bear no bananas.

Less successful are the movie's visuals, where the production wears its shoe-string on its sleeve: an unhappy sartorial effect. The exterior photography is muggy and moodless,



Diane Keaton... totally unsuitable

there are too many TV-style talking-head scenes, and the garden itself never seems as magical in reality as in the scheme of the movie's myth. A stronger stylistic lead from director Mary McMurray could have turned the film from a wee, charming fable of home and exile into a much more vivid *pas de deux* of textures and temperaments, colours and creeds.

"Ziss is a revolutionary movement!" hisses blonde terrorist Helga in *The Little Drummer Girl*, in case we are confused over what kind of movement ziss is in which Diane Keaton gets caught up in the film version of John Le Carré's latest novel.

This is one of those movies in which there are 331 revolutionary movements per minute. Condensing Le Carré's long, serpentine story of terrorism and counter-terrorism into a mad two-hour scuffle through Mid-East coups and conspiracies, it starts with modest implausi-

bility—Keaton as an expatriate American actress playing Saint Joan (badly) in a provincial British rep—and then hightails into ever glibber outrages on our credulity.

Le Carré's novel, you recall, posited a radical young British actress (a sort of Vanessa de la Tour) leaping head-first into the service of Israeli espionage after being deceived (at first) into thinking she's helping the Palestinians. But the Israelis manipulate her sympathies so shrewdly that she's soon their tame Judas goat, leading the PLO to the slaughter.

Le Carré kept cloak-and-dagger silliness at bay by shrewd characterisation and by strewing the book with political argument and counter-argument. He gave the Palestinians at least as big a voice, perhaps bigger, than the Israelis. But director George Roy Hill (*The Sting* and *The World According to Garp*) flings all this debating stuff out of the window, bungs in a top female lead at least as big a voice, perhaps bigger, than the Israelis. But director George Roy Hill (*The Sting* and *The World According to Garp*) flings all this debating stuff out of the window, bungs in a top female lead at least as big a voice, perhaps bigger, than the Israelis.

Far from condensing the book's action and suspense ingredients, this approach totally destroys them. The action scenes (bombings, kidnappings, murders) rear up with such unprepared suddenness that they are over before we realise they have begun. And the intended moments of suspense,

which depend on at least a token involvement with the characters, are vitiated by our believing in few of them and caring about none of them.

Orlov Seunke's *A Taste of Water* proves the pleasant surprise of the week. After *Birdy*, which conked us on the nose with the old R. D. Laing chestnut about the mad being saner than the sane, here is a teasing tragicomedy from Holland about the sane being madder than the mad.

A bearish, dishevelled social worker (Geraldine Ferrar) goes about doing food works and preaching the need not to get involved with clients. "It makes them dependent on us," he warns his young apprentice. But scarcely are the words uttered than he falls into a round-the-clock obsession with the case of a slum dwelling wild child (Dorijn Curvers) orphaned by suicidal parents. The girl is covered in filth, sleeps in a cupboard, and walks on all fours. Thoolen sets out to coax her into civility with bowls of milk (she smashes them), spoonfuls of spinach (she spits them out), a box of paints (she paints herself) and other lessons in love, care and communications.

Meanwhile, he has left his wife for the lure of this one-man *Miracle Worker* project; he plays hooky from the daily surges in his office; he incurs the wrath of the girl's neighbours (who wrongly think he is up to hanky-panky); and he combats the horror of overflowing sinks, tantrums, filth, matted hair.

All human life is here. And all human life, as squalor and derangement set out to be cured by a man increasingly more squalid and deranged himself. Seunke's film needs a little more humour than it gets, as it goes with him when she has. What she did not count on was finding six brothers sleeping in the house, all of whom have to be fed and kept in clean clothes. Keen to get some help with the housework, she instructs the boys how to go about getting girls for themselves, but the girls are all bespoken by the city boys.

Luckily, Milly's childhood reading has included not only the Bible but Plutarch's lives, so it is no time before the six brothers decide to emulate the Romans in their famous rape of the Sabine women, or sobbin' women as they understand it. Six varied snatches bring the film to the far, but two factors blur the happy picture. First, there is an avalanche in the past, so the girls can't go back until spring; and second, Adam decides that Milly is taking too much authority on herself, and leaves.

It all gets sorted out when he regrettably orders the girls to be returned in the spring. It is a sad caravan, for the girls have to leave for the city, and what is besides creating the leads in *Amie Get Your Gun*, *Call Me Madam* and *Gypsy*. She had a foghorn voice, a salty vocabulary and breath control that amazed opera-singers. Toscanini compared her with an instrument in the orchestra. She approved: "I sing honest. Loud but honest."

Any imitation of this natural phenomenon is bound to sound lacking on both counts. Libby Morris can belt out a chesty middle register but her high notes are too soft-grained; in its prime Merman's voice had a brown Jolson-like resin from trumpet top to brazen bottom.

Strindberg's *Dreamplay* is given its first London showing since Ingmar Bergman's chamber production came to the World Theatre Season in 1971. This cunning and fluent new version by John Barton and Inga Stina-Ewbank for the RSC forges a narrative coherence from the phantasmagoric elements, an approach that pays off with only partial sacrifice of the play's hallucinatory characteristics. No sign of ruined fortresses or scorched mountains, or as the castle burns, the bud on the rose bursting into a giant chrysanthemum.

Instead, the production, directed by Mr Barton, 30 odd characters telescoped and shared among 10 actors, makes our imaginations work from the moment Indra's daughter falls to earth to discover what it is like to be human. Acknowledging the Christ-like aspect of the character, the daughter is doubled by Penny Downie as Agnes (a not uncommon procedure). But whereas the dream of the author is usually perpetrated in various stage surrogates, the god's daughter on earth here becomes the dreamer herself and reaches her conclusions on

human misery through experience.

The show unravels almost like a fairytale, underpinned by the seductive lilting music of Martin Best derived from a succession of Wagnerian motifs. Agnes, in fact, opens a book from which a pop-up growing castle jumps. Her farewell to human life veers a little dangerously towards a tone of Jackanory, but this pitfall in the presentational mode is on the whole successfully avoided. The main point is that Agnes discovers the misery of Strindbergian life first by witnessing it—the mother's lament and the grumbling coal-heavers are particularly good—and then by marrying the lawyer.

In Strindberg, Agnes listens to the lawyer's tale of cabbages and nappies. Here she herself is the wife, and a furious row, straight out of *The Dance of Death*, is enacted while the maid blocks out the light with her

Dreamplay/The Pit, Barbican

Michael Coveney

incessant pasting of the windows. She escapes joyously to the desert and Fingal's Cave with the poet (Simon Templeman) and endures derision and physical violence at the hands of the red-robed faculty representatives before revealing the riddle of existence to be caused by the seduction of God (or Brahma, or Odin) by Maja, sometimes called Earth Mother.

The Buddhist and occultist in the play is thus relegated to the Christian and generally mythical, and it is no mean achievement of Penny Downie as Agnes to combine sacrificial other-worldliness with a rushing and very real vitality. Solving the riddle, she lies proactively, strangely on the floor, a creature of light and air who is nonetheless susceptible to gravity.

The lawyer of George Raitrick and the officer of Roger Allam accompany her through-

out: the former is denied an honorary degree and turns up as the barmen at Fairhaven, while the latter grows visibly older at the stage door waiting for his Victoria before returning, like Proust's Marcel, to his aromatic childhood and whisking off Agnes to the land of bunting, revelry and happiness.

Fairhaven is an illusion invaded by the quarantine officer and a couple of sports in Dutch caps (Louise Belson's costumes are cleverly fantastic). The design of Christopher Morley uses a heavy curtain to reveal the clover leaf door which protects the riddle and the seasonal changes are delicately wrought, even if the falling coloured petals err on the side of Jackanory.

The play is an intriguing one, although you would be brave to label it a masterpiece. Rather, like Swedenborg's visions or Munch's paintings, it is a fascinating instance of Expressionist art, subjective and fragmentary and offered here as a worthwhile companion piece to Mr Barton's own magical version of Calderon's *Life's A Dream*, an obvious dramatic antecedent.

Seven Brides/Old Vic

B. A. Young

I defy anyone—except perhaps a raging feminist—not to enjoy *Seven Brides for Seven Brothers*, a happy, simple musical. The story of the seven Oregon farm-boys, girl-starved if not starved, who raid the nearest town to find themselves some wives, is as inoffensive as a folk song, and as pretty.

All seven do not use the same method. Adam goes to the local eating house and proposes to Milly, the cook, whom he has never seen before. "I'll have to finish my chores first," she says, but goes with him when she has. What she did not count on was finding six brothers sleeping in the house, all of whom have to be fed and kept in clean clothes. Keen to get some help with the housework, she instructs the boys how to go about getting girls for themselves, but the girls are all bespoken by the city boys.

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After a couple of millennia when the dust has settled and the shattered fragments of our civilisation are put together in archaeology or folklore, songs like "I got rhythm," "I get a kick out of you" and "Anything goes" will rank as memorials to the irrepressible humanity of Western theatre along with Euripides and Shakespeare and Ibsen.

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I Vespri Siciliani/Geneva

Andrew Clark

This was very nearly the most inept and gratuitous piece of operatic "interpretation" I have seen. We have come to recognise that the updating process can, in selective instances, add an alternative viewpoint and broaden our appreciation of an opera. But there has to be a reasonable parallel of situation, emotion and character—for the updating to ring true. Elijah Moshinsky's attempt to find an echo of the *risorgimento* in *I Vespri Siciliani* at Geneva's Grand Théâtre does not satisfy these criteria.

The chief problem is that there was no massacre in the early 19th century equivalent to the events of 1923 at Palermo, which makes the dramatic climax of the opera hard to square with Moshinsky's conception. Nor can he turn to any parallel which Verdi, the source of the music, has drawn consciously or not, with *risorgimento* sentiment; for we know from his letters that the composer was as embarrassed at the depiction of his countrymen as mass murderers as he was at the way France, his host country in 1855, was portrayed in such unattractive colours.

Sensing trouble here, Moshinsky handles the final scene as a good old murderous operatic set-to—but painted in the style of Delacroix, the magnificent canvas combining Timoteo O'Brien's graceful stage sets and Nick Chelton's silhouette lighting. We are to look upon this, says the producer in a programme note, as a mere chapter in the long, long story, signifying the "revolu-

tion that has not yet taken place."

Mention of the word "revolution" leads ominously to the other main point Moshinsky is keen to bring out in this opera: the clement of class struggle. The chorus to which Elena her Act 1 appeal represents the down-trodden masses, herded into two pens on either side of the stage; it is to be a people's revolution! Procula is a Bakunin figure attired, like all good leftist intellectual revolutionaries, in leather coat, spectacles, cigarette and cropped hair.

But Bakunin looks as odd among early 19th century Sicilians and Spanish Bourbons as he would in any Veridian landscape; and the Verdis succeeded not in dividing but in uniting all sectors of Sicilian society.

The rest of the production fared little better. The orchestral playing under Donato Renzetti was no more than correct, the chorus entries uncertain. Olivia Stapp soared elegantly and displayed a rich chest register, but failed to set the soprano part alight. Lorenzo Saccomani's Montforte was ordinariness personified. Robert Lloyd worked hard to bring Procula to life in his unusual guise, and sang the big bass aria with his renowned clarity of tone and diction.

The only really distinctive performance came from the tenor, Giuliano Cianella, whose impassioned Arrigo always attracted the eye and, for all the shortcomings of his technique, gave pleasure to the ear.

Call Me Miss Birdseye/Donmar Warehouse

Martin Hoyle

After a couple of millennia when the dust has settled and the shattered fragments of our civilisation are put together in archaeology or folklore, songs like "I got rhythm," "I get a kick out of you" and "Anything goes" will rank as memorials to the irrepressible humanity of Western theatre along with Euripides and Shakespeare and Ibsen.

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To compensate, Miss Morris has a sensitive way with the gentler numbers. One of the show's pleasures is the rediscovery of the lowly, lovely Porter's elegant world-weariness in such songs as "Down in the depths on the 90th floor" (*Red, Hot and Blue*) and "Make it another old-fashioned, please" (*Panama Hat*).

The songs are shared with David Kernan; the narration is written and spoken by Jack Tinker, theatre critic of *The Daily Mail*, who sports nasty little outfits by David Shilling and is mauled by Miss Morris in "A new-fangled tango," thus

setting a precedent that other distinguished members of the Critics' Circle may not be eager to emulate.

As a performer, Miss Morris is direct, exuberant and intelligent. She never goes over the top, which makes the intensity she brings to the *Gypsy* excerpts all the more powerful. Towards the end of her career, the former Ethel Zimmermann wondered if she was the last of her kind and whether Porter, Berlin and Gershwin had any successors. Well, *Sondheim works on*; but she was right about herself. They were giants in those days.

Premieres for Sadler's Wells

Two regular visiting companies return to Sadler's Wells this autumn, and American choreographer David Gordon will make his debut there.

Sadler's Wells Royal Ballet will present the world premieres of two works by Derek Deane and Michael Cordell—during its two-week season from September 24 and David Bintley's new ballet, *Flowers of the Forest*, will receive its London pre-

miere. Other ballets in the programmes include Bintley's *Meadow of Proverbs* and *Metamorphosis*, Jennifer Jackson's *Medusa*, John Cranko's *The Lady and the Fool* and *Card Game*, and Peter Wright's production of *Giselle*.

David Gordon and his Pick-Up Company from New York will put on four performances from October 9-12.

Bruce Springsteen/Wembley

Antony Thornecroft

On a golden evening, before 80,000 delirious fans at Wembley Stadium, Bruce Springsteen came close last night to fulfilling the American Dream. Almost single-handed, he keeps the torch burning for good old rock 'n' roll.

In fading blue jeans and an off-white sweat shirt, with the face of a retired boxer and the body of a successful truck driver, he sings of the road and romance, of small town America and the triumph of the little man. He has lived well of the music but stays close to the hopes of his audience.

And yet there are signs of incipient show business creeping in. There is more chat, philosophical ruminations, about his roots, and that cheap sincerity which is so endearingly American. He now plays the piano with his nose and toes; marshals his E-Street band in line, instruments cocked to advance on the audience; he lies on the stage and waggles his legs in the air; he even dances with his wife!

And does it matter? Bruce Springsteen can still ignite an audience. His music, from the reflective "Glory Days" to the exhilarating "Born To Run" is tireless rock, the sound of the

streets; his voice is honed on burgers and Budweisers; his image is that of the local boy who made it good but stays in touch. He stresses his charm when solo at the end, as he performs his favourite Elvis song the banal, "Fools Rush In," but even then Springsteen's presence is massive. He dwarfs Wembley—almost.

What sums it up is that you half watch the man on the stage. For the most part you see his magnified image on an adjacent screen. Bruce Springsteen is in danger of playing at one remove from his audience—a disagreeable prospect.

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KEY FIGURES 1984 (in millions of francs)		
HACHETTE S.A. (Parent Company)	1984	1983
• Turnover	2,420	2,189
• Net income after tax	127	115.1
• Net capital gains and losses	32.1	135.1
• Total net income	159.1	250.2
Consolidated Group		
• Turnover	10,705	9,042
• Hachette Group's share of consolidated profits:		
— Excluding capital gains and losses	202	187.3
— Capital gains and losses	63.4	142.2
Total	265.4	329.5
DIVIDEND	F18.50	F16.50
TAX CREDIT	F9.25	F8.25

HACHETTE shareholders met on 20th of June 1985 to approve the Group's management accounts for 1984. The meeting was chaired by M. Jean-Luc LAGARDERE, President. HACHETTE S.A., the parent company, posted a net profit in 1984 of FrF 180.1 million, including FrF 53.1 million attributable to capital gains. Meanwhile, the Hachette Group's share of consolidated profit for 1984 reached FrF 202 million, as opposed to FrF 187.2 million in 1983. After taking account of capital gains and losses, consolidated profits were FrF 265.4 million, as opposed to FrF 329.5 million in 1983. President Jean-Luc LAGARDERE, assessing these figures, laid considerable stress on the Hachette Group's policy of development and investment introduced in 1984-1985, which is to be continued throughout 1986 both in France and abroad. As a result of this policy, the Hachette Group has in the last 18 months bought 100% of SEYMOUR PRESS, increased its shareholding in HACHETTE GOTCH (from 50% to 100%) and acquired a majority stake in the company which publishes TELEPROGRAMA, a high-circulation Spanish TV magazine. Hachette also took control of 42% of the capital of PATHE CINEMA, as also 50% of HARLEQUIN FRANCE, among other moves.

BARCLAYS HOME MORTGAGE RATE

Barclays Bank PLC announces to existing borrowers that from the close of business on 4th July 1985 Barclays Home Mortgage Rate will be increased from 13¼% to

13½% per annum



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Saleroom/Antony Thornecroft

No buyer for a Strad

There was a pleasant surprise for Sotheby's in its Old Masters drawings sale. A reclining male nude in red chalk heightened with white chalk, by Il Salviati, went to dealer Morton Morris, for £20,200. The estimate was £30,000, but Salviati is now in fashion. The entombment by Luca Penni, formerly attributed to Primaticcio, also did well at £28,600, as against an £8,000 top estimate.

A rare example of a Qur'an written in Eastern kufic on vellum sold for £70,200 at Christie's to Iran, the London dealer. The price was at the lower end of the estimate. The Qur'an comes from Persia or Iraq and is dated to 950 AD. The sale of manuscripts and miniatures totalled £356,268 with 29 per cent unsold.

Iran also paid £38,800 for a later (Persian) Qur'an of around 1550, while the dealer Mages bought Sir Thomas Metcalfe's reminiscences of Delhi in the early 19th century for £23,760. His album, with 138 illustrations, was published in 1844 and dedicated to "My very dear girls." In 1955, when Sir Thomas was British resident at the Mughal Court, he died from some subtle poison.

Two Qajar portraits of about 1803 by Mirh' Ali, depicting previous rulers of Persia, sold for £19,440 each to a collector bidding on the telephone. The portraits were from a lost series recently re-discovered, and one of them depicts Genghis Khan.

FINANCIAL TIMES

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Regulation in practice

WHEN the Office of Telecommunications was established a year ago, there was not short of sceptics willing to argue that the small, inexperienced regulatory body would be quite incapable of restraining a newly-privatised British Telecom. By comparison with comparable U.S. regulatory bodies, it was argued, OfTel would lack both functions and resources. Professor Bryan Carsberg, the director general, lacks even the power to license new competitors for BT and has a very modest staff with which to follow up complaints of anti-competitive practices. If the U.S. regulators have often been "captured" by the very firms and industries they are supposed to regulate, what chance had OfTel?

A year later, it remains difficult to assess OfTel's success or failure. The agency's official line is that reasonable progress is being made: there are "encouraging signs" of competition emerging in all sectors of BT's business. Certainly, Prof Carsberg seems to have all the right instincts as a regulator; he is showing no signs as yet of identifying with BT's interests. He remains clear that his overriding responsibility is in a highly concentrated market to "promote the interests of consumers of telecommunications services."

OfTel has not shied from criticising BT: few "captured" agencies, for example, would draw attention to the difficulty of investigating alleged abuses of market power because complainants often wish to remain anonymous lest they suffer future discrimination at BT's hands. Moreover, Prof Carsberg is exercising what power he has. There seems little danger of OfTel caving in on the key question of the terms on which Mercury, BT's sole competitor in basic telecommunication services, can plug into the national grid. Prof Carsberg says he will not seek a compromise but act in the interests of consumers—if BT dislikes his decision it will have to challenge it in the courts.

A court challenge would be little more than a delaying tactic and probably would not happen, British courts, unlike

their American counterparts, are not empowered to remake the decisions of regulators. BT would have to show that Prof Carsberg's decision was one that no reasonable body could have reached. This might prove difficult, to say the least.

The more worrying criticism of telecommunications regulation, however, is not that OfTel is in danger of being captured by BT but that it is not worth capturing. In the principal decisions, these critics suggest, Prof Carsberg and OfTel are mere spectators: advice can be proffered but it may not be heeded. On this conspiracy theory, nothing much has happened. Policy determined by BT, Mr Norman Tebbit, the Secretary of State for Trade and Industry and his top officials, and BT's main suppliers.

Mist decision

Part of the evidence for this view lies in the Mist decision. BT seemed genuinely surprised and hurt by Mr Tebbit's decision to refer its bid for 51 per cent of the Canadian PABX manufacturer to the Monopolies and Mergers Commission. The hint which BT was getting last year was that, as Britain's information technology flagship, foreign acquisitions to strengthen its world market position would meet with Government approval.

No such advice would have been forthcoming from OfTel which has doubtless been aware all along of the threat to competition posed by BT's moves into manufacturing. Ministers, by contrast, have been on a slow learning curve: first they were obsessed by the mechanics of a privatisation, then dazzled by its potential success; only recently have they begun to grapple with the dangers of a private-sector monopoly as big and powerful as BT. Having failed to plug into BT's national grid, Prof Carsberg says he will not seek a compromise but act in the interests of consumers—if BT dislikes his decision it will have to challenge it in the courts.

Lessons from the sugar market

THERE IS no more depressing spectacle in the international commodity business this year than the world sugar market.

Free market prices have been on a steady slide for months and are currently close to an all-time low in real terms. Few analysts believe there is any prospect of a significant improvement for the rest of this decade, and an increasing number are describing the crisis as structural.

Stocks are at an unprecedented level—equivalent to nearly half the world's annual consumption, according to some estimates. Demand is growing slowly overall and in some developed countries has fallen quite sharply as a result of dietary concern.

Yet production, bolstered by protective support regimes, is still high and the world's surplus of sugar continues to defy the laws of economic gravity.

Negotiations on a new International Sugar Agreement, which might have restored some order to the market, collapsed amid acrimony between exporting countries last summer.

Since its failed predecessor expired six months ago, the battle among exporters—led by the European Community—to dump their surpluses on the world market has simply become a free-for-all, with those with the smallest funds to subsidise exports bearing the brunt.

Although no one is innocent, a significant part of the blame for this situation must fall on the U.S. and the EEC. America has progressively shut off its market from imports in the last few years, as high domestic sugar prices have encouraged the development of alternative sweeteners, and there seems to be little prospect of opening it up again.

Europe, meanwhile, has dramatically escalated its subsidised exports. The Community's net availability of sugar for export (after deducting the permitted import quota from Africa, Caribbean and Pacific countries) rose nearly threefold between 1978 and 1984, and it now has a world market share of 25 per cent.

EEC exports have fallen in the past two years, but the Community still has a large surplus to dispose of, some of which benefits from subsidies totalling up to 85 per cent of its internal sugar price.

This is a classic case of dumping: the Community fixes such a high price for its own domestically-produced sugar that producers can easily afford to export the surplus at marginal prices.

It is also an illustration of the follies of trying to control production or budget costs by imposing physical quotas instead of using the price discipline. Quotas, and the accompanying high prices, have ossified inefficient production structures, and led to an unseemly scramble between member states to maximise their share.

However, there may be an opportunity for limited change. The EEC's five-year sugar regime which sets quotas for the amount of sugar which can receive price support and imposes levies on producers theoretically to pay for the disposal and storage of surplus production, expires next year.

Negotiations on a successor are due to start in the next few months. The most sensible outcome would be to lift production quotas and cut prices. But the European Commission concluded long ago that it would need a price cut of up to a quarter to prevent production dwindling without quotas, which would be politically difficult to put it mildly.

In these less than perfect circumstances, the only responsible short-term approach is to press for a swing-out cut in production quotas all round and an increase in producer levies.

Unfortunately, the European Commission—way of stirring up the political hornets' nest which started buzzing when it proposed quota cuts last time round—appears to be planning nothing of the kind. Some producers are actually campaigning to be allowed to produce substantially more.

Curiously enough, some senior Commission officials are on record as regarding the sugar regime as a model policy, mainly on the grounds that it is supposed to be "self-financing."

As a recent report by the agricultural analysts Agri-Analysis pointed out, this is merely an illusion created by slick accounting. In fact, it suggests, the sugar policy may be costing EEC consumers and taxpayers as much as European Community Units 2bn a year.

The clever aspect of the sugar policy is that the bulk of this money does not fall on the producers. The EEC farm budget, but is dispensed through high sugar prices which enable producers to pay a "levy" on surplus production.

The only real beneficiaries are the sugar growers and processors. The idea that this is a policy which could be emulated elsewhere, such as in grain, ought to fill everyone else with dismay.

INLAND trunk calls in Norway cost as much as 11 times more per minute than in Denmark; West Germany charges twice as much as the Netherlands for a leased telephone circuit between the two countries, and dialling the U.S. from Spain is up to three times more expensive than from Britain.

The latest cellular mobile radiotelephones, already in service in Britain and Scandinavia, cannot be used across borders because of incompatible frequencies. Many countries have chosen technically different systems. Many models of subscriber apparatus, including even basic telephones, which are legal in some countries are prohibited in others.

Such anomalies pose major constraints for Europe at a time when information flows increasingly from the nervous system of modern business. Few organisations feel the impact more directly than large companies with international operations, which complain that dealing with Europe's bureaucratic jungle of differing rules and regulations is a constant source of headaches, frustration and expense.

For some services companies, communications is already their second largest expense after staff costs. "Communications is our most sensitive business tool, we literally cannot function without it," says Mr William Rush, a senior vice-president of Prudential-Bache, a leading Wall Street securities house which is seeking to expand in Europe.

In the U.S., deregulation—though it has created many awkward upheavals—has also opened up a vastly wider choice for business users, including the right to by-pass established carriers by building their own networks. Many are seizing the opportunities with both hands, and by doing so are radically re-shaping the American telecommunications industry.

Merrill Lynch, the financial services company, has built an advanced satellite and cable system in New York City. General Motors is using Electronic Data Systems, which it acquired for \$2.5bn last year, to link together its 100 computer centres; IBM, the world's largest computer manufacturer, plans to take a stake in long-distance carrier MCI; and the latest fashion in office property is "wired buildings," which come equipped with their own advanced communications facilities.

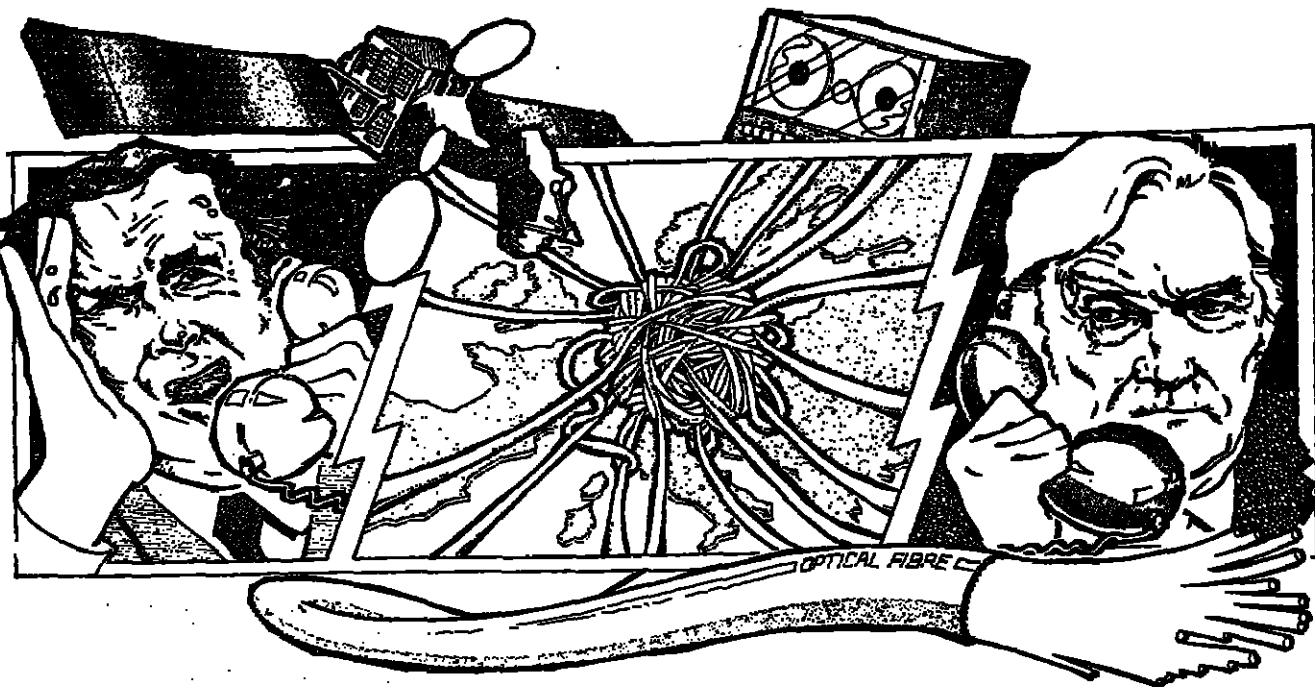
Such complete freedom is still unthinkable in Europe, even in Britain's recently liberalised market. On the continent, telecommunications remain strictly controlled by powerful state monopolies, known as PTTs, which are often part of central governments and are staffed by civil servants.

Some of the basic laws of telecommunications dating back to the last century, when the telephone was still a novelty. Most are insulated from direct commercial pressure and all have until now remained beyond the reach of the common market and EEC competition rules. In spite of lengthy discussions between PTTs on common standards, little visible progress has been made.

PTTs insist their monopolies serve the public interest by providing universal services on a national scale. But outsiders increasingly question whether their insulated status and rule-book practices are up to the task of managing a rapidly changing industry with explosive growth potential.

Telecommunications services are already one of Europe's

EUROPEAN TELECOMMUNICATIONS



Crossed lines in an \$80bn industry

By Guy de Jonquieres

biggest businesses, with traffic revenues of almost \$80bn and investments of more than \$20bn this year. But Mr Malcolm Ross of consultants Arthur D. Little estimates that conservative policies have cost PTTs lost revenues of as much as \$20bn a year, while the EEC's per capita spending on telecommunications equipment is barely a third of the U.S. level.

Information services which combine computing and communications, such as on-line information retrieval, have also grown much more slowly in Europe than in the U.S. The U.S. Commerce Department estimates the value of the on-line data base business in Europe at \$600m in 1982, against \$2bn in the U.S. Moreover, Europe's home-grown videotext services such as British Telecom's Prestel are still confined largely to their national markets.

Britain has led the development of the newer generation of value added network services (VANS), which provide transactional facilities such as electronic mail, ordering and billing. Since 1981, the UK has allowed competition in VANS and about 600 services are now in operation.

But privately-supplied VANS are illegal in five European countries and tightly controlled in many others. West Germany has only just launched its first electronic mail service for owners of personal computers, operated by the Post Office (Bundespost). Many PTTs appear reluctant to promote electronic mail hard for fear of damaging their revenues from telex.

So far, no other European country has followed the UK's liberalisation of its telecommunications market and the ratification of British Telecom.

But in all of them, pressures for change are mounting. Among them:

● Rapid technological convergence is blurring the distinction between telecommunications, which has traditionally been regulated almost everywhere, and the unregulated computer industry.

● Europe's protected telecommunications market are expected to become a prime target for U.S. efforts to remove barriers to international trade in services. "Right now, all the pressure is on Japan," says Mr Geza Fekete, a senior official at the office of the U.S. Special Trade Representative.

But in due course it will switch to Europe. It will be up to European governments to get a grip on their PTTs.

Earlier this year, the European Court of Justice opened the door to possible changes by ruling that PTTs are legally not government entities but commercial enterprises and hence subject to EEC competition law.

● Business customers, particularly large American companies, are stepping up their demands for new types of telecommunications services and more say in how these are developed and operated.

These diverse pressures have begun to stir responses. West Germany has set up a government committee to examine the Bundespost's monopoly.

The Dutch Government is studying proposals to curb the monopoly of its PTT and to give it more commercial independence. In France, the right-wing opposition favours reducing state control over the powerful Direction Generale des Telecommunications (DGT), and Italy is considering injecting private capital into SIP, its main telephone company.

The Bundespost's telecommunications profits enable it to carry huge losses on postal services and to contribute a tenth of its turnover to the Federal Budget. France, in addition, has used PTT profits to prop up loss-making nationalised electronics

companies. Last year, the DGT had to raise unit call charges by a whopping 25 per cent.

So far, no other country is contemplating free-for-all competition on the U.S. model, or even the more cautious varieties found in Britain and Japan. Though the PTTs' powers may be pruned in some areas, such as apparatus supply, their public network monopolies, their main source of revenues, seem likely to remain intact.

BT is widely considered to have sharpened up its performance in the past three years and some large users claim to detect more business-like attitudes elsewhere. "There is a change in the atmosphere. It's in the PTTs' approach, in their willingness to negotiate," says Mr Bessel Kok, head of SWIFT, the inter-bank funds transfer network.

"The PTTs used to stand solid. Now they are all looking anxiously over their shoulders, trying to make sure the others don't steal a march on them," says the telecommunications manager of a large U.S. commercial bank. But he, like many others who do business with PTTs, remains doubtful how far the changes will go.

Many PTTs plan to invest heavily over the next few years in advanced communications systems known as Integrated Services Digital Networks (ISDN), which will enable telephone calls and high-speed data to be carried on the same circuits. In theory, ISDN should enable data to be cut sharply and offer many innovative facilities.

But some customers fear ISDN may turn out to be over-elaborate, costly and designed mainly to suit the PTTs' own engineers. They argue that the PTTs are still too far removed

from commercial realities to cater adequately for the complex demands of modern businesses, many of which regard communications as an integral part of their computer systems.

"Business users realise they are going to have to foot the bill for investments such as ISDN in the end. In return, they should have the right to get the services they need, not what PTTs think they ought to need," says Mr George McKendrick, chairman of the International Telecommunications Users' Group, which includes many large companies.

Many companies are also worried about moves in West Germany and some other countries to phase out existing flat-rate tariffs for their private networks and link charges to traffic volume instead. SWIFT is already forced to pay such "volume-related" prices in Europe. It reckons it pays at least twice as much as the SITA airline reservation network, which is still charged fixed rates.

PTTs argue that "volume-related" tariffs will ensure that business users pay fairer shares. But large companies object that in some countries, such as West Germany, flat-rate tariffs are already well above the true cost to the PTTs of providing the necessary leased circuits.

Though companies have little choice in most countries but to submit to PTT demands, multinational firms can limit their exposure. According to Mr Denis Conroy of Coopers and Lybrand management consultants, national regulatory attitudes and tariffs are already often more important than the location of physical plants in the planning of private networks.

BT has already persuaded many big companies to "hub" their European networks in Britain by offering attractive terms. Similarly, multinational firms have wooed communications business away from West Germany, where regulation is exceptionally restrictive and charges are among the highest in Europe.

Because at least half of PTT revenues come from such business, the financial impact of such traffic diversion can be considerable. It is likely to grow, as more and more communications is between large computer companies, which are shifting from one country to another in search of more favourable communications conditions.

Some PTTs warn that without tight regulation, large American companies may move in and take effective control of Europe's telecommunications networks. IBM's intentions, in particular, arouse suspicion, all the more so in view of its planned link-up with MCI in the U.S. Last year, the British government vetoed a joint proposal by BT and IBM to set up a data network.

But critics argue that the longer PTTs cling to traditional policies which keep Europe's markets fragmented, the greater the threat to their authority. "If the PTTs don't get their act together and start managing telecommunications as a dynamic European industry, American interests will end up regulating it by default," says one EEC Commission official.

International tariff comparisons courtesy of "Tariffex" published by Logica.

Previous articles appeared on June 17, 24, 25, 26, 28 and on July 1. The next will appear on Monday.

Flying start

for Wales

Thirty years ago, when Desmond in the RAF's 601 squadron Norman was a flight commander in the RAF's 601 squadron, one of his young pilots flying Meteors was David Waterstone.

The two men were reunited in London yesterday. Waterstone, now chief executive of the Welsh Development Agency, has helped put together a financial package for Norman to manufacture jetliners and Freeland aircraft in Cardiff.

Since those RAF days, the pair have pursued very different paths. Old Etonian Norman, 55, has spent most of his life in the aircraft industry. He was one half of the original Britten-Norman partnership whose Islander aircraft became one of the most commercially successful planes produced in Britain.

Waterstone, who will be 50 next week, joined the Foreign Office and did a stint in Japan—where he picked up a know-

ledge of the language that is indispensable in Wales, with the highest concentration of Japanese concerns in Britain.

Jobs at the now-defunct Industrial Reorganisation Corporation and British Steel followed before he reached Cardiff two years ago.

Norman sees big opportunity emerging for a British manufacturer of single-engine aircraft. "The market has been dominated in the West by the Americans," he says, but they are now facing all sorts of problems.

Wales has also had problems trying to raise finance for interesting projects. But Waterstone believes the WDA's venture capital fund has, to use his flying metaphor, "now got that particular problem off the ground."

Only one thing marred yesterday's get-together. Waterstone was grounded—forced to remain seated because of a ankle ligament. A flying accident? No, to his chagrin—Scottish dancing.

Men and Matters

draw £100. He converted the car, drove it round on tracks because he was too young to get a road licence, and then decided to sell it.

"I got over 100 replies to my ad in a car magazine," he says, "and as I'd just learned to use a computer, I decided to do a manual on the Austin 7 Special and sold 250 copies. It wasn't the car—it was that pencil that launched me."

His lucky continued. He met Annette, his wife, who now is his co-ordinator, director at Haynes Publishing Group, Yeovil, Somerset, organising the high-tech printing of about 900 publications, mainly car manuals and car books, and with a profitable operation in the United States, too.

"We don't do Rolls or Ferraris," he says. "Our best-selling manuals are 'Jinns', 'Escoorts' and even 'Coronas'. Of the more exotic cars, I suppose our best sell is Jaguars." But his output is not limited to car lore—another of his companies, Oxford Illustrated Press, has just published a book by jazz singer George Melly.

Road to fame

A boyhood obsession with cars has led John Haynes to the chairmanship of a small but far-flung publishing empire, operating in Britain and the U.S. and now celebrating its 25th year in business.

Haynes was 16 and at board school in 1955 when he decided to buy an Austin Seven for £15 and convert it into a sports car. "You couldn't get sports cars then—all the MGs were going for export."

He had some money left to him by a grandparent to claim when he was 21, but managed to persuade his parents to let him

draw £100. He converted the car, drove it round on tracks because he was too young to get a road licence, and then decided to sell it.

"I got over 100 replies to my ad in a car magazine," he says, "and as I'd just learned to use a computer, I decided to do a manual on the Austin 7 Special and sold 250 copies. It wasn't the car—it was that pencil that launched me."

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Full of interest

There are some at the Confederation of British Industry who are clearly not prepared to lie down in the face of the stern rebuke they received from Chancellor of the Exchequer, Nigel Lawson, last week in response to their call for lower interest rates.

The Chancellor, you will recall, told industrialists to stop whingeing about borrowing costs and concentrate on holding down labour costs.

Commenting on yesterday's unemployment figures, the CBI's director of economic

affairs, John Caff, did stress the importance of keeping down wages—but then argued again for lower interest rates.

Last year Haynes's company reported profits of £1.37m. Which suggests that he has done pretty well from learning to use a pencil.

John Davidson, the CBI's Scottish director, was much blunter. "Today's gloomy unemployment figures confirm the CBI's campaign for lower interest rates," he said. "Inflation is the sworn enemy of jobs. Lower interest rates will help to bring down inflation and create employment."

Over to you, Chancellor.

City guide

After two years' work, Elise Smith and Laura Phillips expect to publish the first who's who of the City of London in November. To be called Beckett's Directory, it will include some 1,200 biographies of the Square Mile's leading figures in banking, insurance, accountancy, fund management and the law.

The two friends—Smith, an American lawyer, and Phillips, a former assistant to Roy Jenkins—set up their own publishing company for the project, which they started after "trying for years without success to penetrate the wall of inscrutability" around many of the City's top men.

But a majority stake has now been acquired by fund managers. Framlington, who, apart from financial backing, will use their expertise in marketing the annual guide.

Framlington chairman, Bill Stuttard, says: "As fund managers, we meet a lot of people in the City. It would often help enormously to know more about their professional backgrounds. Beckett's Directory will fill a real need."

"We expect it to be a best seller, not only in the City but in other financial centres throughout the world."

Observer

Computer 2

Quotations 2

"Soft! I did but dream"

William Shakespeare
 RICHARD III

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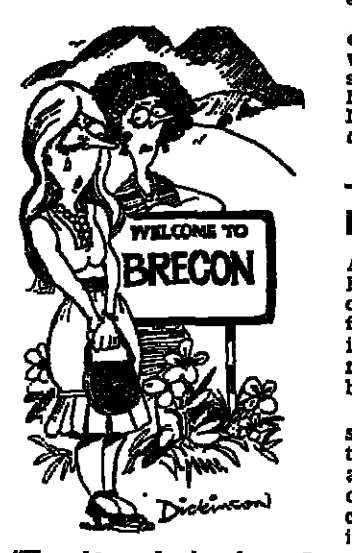
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"He told me he loved me, I told him how I was going to vote and I never saw him again after the polls closed"

FTI

POLITICS TODAY

Britain out on a limb again

By Malcolm Rutherford

THESE TWO suggestions may sound extreme, certainly eccentric. I think that Japan should be invited to join the European Community and that the European heads of government, who disagreed so conspicuously among themselves in Milan, should be in a position where they can jointly request a summit meeting with Mr Mikhail Gorbachev of the Soviet Union—much in the way that Mr Gorbachev has agreed to meet President Reagan of the United States.

The rest of this article is an attempt to justify the suggestions, or at least to challenge the complacency that has come to surround the approach to international affairs in this country, perhaps especially in the House of Commons.

Only the insular would argue that the Milan meeting was anything but a disaster. Mrs Thatcher is not that. Indeed, the Prime Minister's statement to Parliament on Tuesday was distinctly muted, even chastened in tone.

True, the European Council reached broad agreement on a number of important issues, including the partnership in the principles of political co-operation. Nothing can divert attention from the fact, however, that the meeting was completely overshadowed by the quarrel between Britain and her major European partner over the proposals to amend the founding Treaty of Rome.

We should be clear about what that means. Nearly 30 years after the Conference of Messina, which led to the founding of the original Community of Six and to which Britain paid only the scantiest of attention, and one year after the Fontainebleau agreement, which was supposed to have ended the country's major remaining disputes with her partners, Britain is again out on a limb, along with Denmark and Greece.

No wonder that the Prime Minister, after her initial fury had subsided, was relatively subdued in the House of Commons. She did not attack the Foreign Office, as she might have done, nor the Community as such. Instead she acknowledged that something very serious is up.

The consequences for the development of British foreign policy cannot be good. It was only 10 days ago that Sir

Geoffrey Howe, the Foreign Secretary, was telling the House: "Our role as a leading member of the Community is increasingly central to our position in the North Atlantic Alliance, to the quality and weight of our contribution to the dialogue between East and West and, indeed, to our ability to maintain a worldwide foreign policy. It is the effectiveness of our presence in the Community which is the key to our influence on the future of Europe, and so to our capacity to promote Britain's interest in the wider world."

It does not quite look like that this week.

Time and again one notes that the anti-Marketers in the House of Commons have an influence way out of proportion to their numbers. Much of the Parliamentary Labour Party now accept British membership of the Community as a fact of life, if with varying degrees of enthusiasm. Yet whenever the Government and the rest of the Community clash, there is a tendency for Labour to revert to old habits and say: "We told you so." There is not yet much sign on Labour's part of putting forward constructive suggestions for reform and saying how the Government could have done better.

That is one constraint. Another is that the Government appears to be frightened of its own backbenchers. Hard-line, card-carrying Tory anti-Marketers have now been reduced to a handful, yet there is always a group of seepies ready to join them if the Government proposes any further integration of anything that would raise Community expenditure (unless, of course, it is a direct hand-out to Britain).

The result is an excessive timidity in government policy towards Europe. The Government must fight shy of closer involvement and is resistant to almost everything that might require primary legislation in the House of Commons. Hence its opposition to changes in the Treaty of Rome.

We should notice in passing how odd this is, more than a decade after Britain joined. Not to have joined might once have been an option (though I doubt even that). It is hard to think of any desirable alternatives to membership today. To have joined, and then found a fight



Mrs Thatcher and Mr Bush, the U.S. Vice-President, in Downing Street this week

with the partners, is nihilistic. If this is bad for Britain, it is also bad for the rest of the Community. For every time the Community tries to relaunch itself—and fails—it becomes more difficult successfully to try again. Meanwhile, and this is the central point, the rest of the world has moved on.

The Community, judged collectively or by the records of its individual members, is no longer a shining example of economic and social development. When one thinks of economic strength and economic progress, the areas that come to mind are the U.S., Japan and some of the newly industrialised countries, most of which are geographically in the Pacific region, not the Atlantic.

Nor do the members of the Community come out all that well in terms of political co-operation, whether the words have small or large letters. Indeed the history of the last 20 to 30 years has been that of Europe trying to get its political act together, and generally failing to do so.

It is possible to argue that the relative decline of Western Europe has been accompanied by the relative decline of the Soviet Union: except in matters

military, where Moscow has more than kept up. The decline is pan-European. Yet, with the accession of Mr Gorbachev and his series of Cabinet reshuffles, which one suspects is still not complete, it is worth pondering the question: what happens if the Soviet Union does take off economically and becomes a potential model for the third world?

Western Europe is in no position to speak to the Soviet leadership with one voice. Indeed, there is a kind of sneaky competition about who can do the most with Moscow unilaterally: Mr Gorbachev to Britain last year, and shortly to Paris and President Mitterrand before his meeting with President Reagan in Geneva. It sometimes looks as if the old national European rivalries are much what they were: without the shading of the Atlantic.

Western Europe cannot easily speak to the U.S. with one voice either. There is a topical example in President Reagan's strategic defence initiative: the attempt to explore moving towards reliance on defensive rather than offensive weapons.

Although the American scientific community is itself deeply divided about it, as a

group of U.S. physicists made abundantly clear at a conference in Britain last weekend, one senses that the principal difference between Europeans and Americans is this. The Americans are attracted to SDI because it is new, radical, a challenge and gives a chance further to explore new technologies. The Europeans are suspicious of it for precisely the same reasons, though at the same time more than eager to get in on any commercial contracts that may be in the offing.

Europeans sometimes seem to want to live in a more social democratic version of the 19th century world, plus the benefits of American protection. Yet not only has the 19th century order been long overtaken by events; so has the order that followed the Second World War. Today's world is dominated not by the twin pillars of the Atlantic Alliance holding the balance of power with the Warsaw Pact, nor even by a superpower relationship between the U.S. and the Soviet Union. It is dominated very largely by America.

As an illustration, you only have to ask yourself how many international subjects it is possible to discuss nowadays with-

out quickly arriving at the question: what is the U.S. position or what are the Americans going to do?

The latest geopolitical example is Southern Africa. Until a decade or so ago, the U.S. never had much interest there. Now it has become almost axiomatic that if anyone can do anything about the area—for better or for worse—it is the Americans. It has become a very lopsided world.

The exception is Japan, which for highly understandable reasons has decided that it does not wish again to become a great military power. It is also exceptionally strong economically and technologically.

Yet Japan, too, is a very lonely country. Its relations with the Soviet Union are good and probably will not improve very much in the foreseeable future. Relations with China are much better, but the Japanese are the first to recognise that they cannot control Chinese politics.

There is, it is true, the special relationship with the U.S., but Japan does not seem to want to be over-dependent on it. The country is looking for friends and allies. Who better than the West Europeans?

Of course, it is an exaggeration to suggest that Japan should be invited to become a full member of the Community. The mind boggles at the thought of Japanese further confusing the European Parliament, for a start. Yet a treaty relationship between the Community and Japan might not be a bad idea. It might help to build up self-confidence between both parties. It might even persuade Japan to liberalise more of its trading and financing arrangements.

Sadly, the Community at present is in no state to offer anything of the kind.

Europe has time to recover from the fiasco of Milan, though not very much. So has Mrs Thatcher, if she learns from the past. She will not be assisted, however, if she swallows the statement made in London this week by Mr George Bush, the U.S. Vice-President, about the "very, very special nature of the Anglo-U.S. relationship." The relationship is no longer like that. Neither, I think, is the real America, and especially the America of the future.

Lombard Surefire remedy to avoid

By Nicholas Colchester

"The remedies for the depression, as embodied in the resolutions adopted by the International Chamber of Commerce, are as obvious as the evil itself. They have been proposed again and again during the last 10 years. Exchange stabilisation, balancing of budgets, cutting of public expenditure, debt settlement and removal of trade restrictions are some of those remedies, whose efficacy no one doubts."

These words were reproduced in Tuesday's International Herald Tribune from the same newspaper's edition of July 2, 1935. Their misguidance is well emphasised in Morgan Guaranty's latest World Financial Markets, the Mercedes Benz of economic commentaries, notable for its dispassionate analysis, its timeless intellectual styling and the clever way it underscores each assertion with a pithy little chart or table.

The June edition is unusually emphatic. "Something has to be done—and done soon—to remedy the stagnation in Europe's domestic demand... appropriate demand management is the crucial dimension currently missing in Europe's strategy... demand adequacy is not guaranteed merely by lower interest rates as the 1930s experience should have taught for all time... the belief is misplaced that a lower dollar is the prerequisite for stronger European growth. In fact, in a low-inflation world a lower dollar is more plausibly a consequence of an acceleration of European growth achieved by other means."

Morgan's chief economist, Rimmer de Vries, has been arguing for some time for concerted economic action by the industrialised countries to wean the U.S. away from its dependence upon mounting debt without deflating the world economy. His latest report sketches out in particularly convincing fashion how counterproductive it would be for the U.S. to put its fiscal house in order unilaterally.

De Vries finds that "much official opinion in Europe still maintains that Europe's policies are already as expansionary as is prudent in the face of structural problems. In particular there is a paralyzing aversion to significant fiscal stimulus following a period of several years in

which credibility has been reckoned to stand or fall with fiscal consolidation. Yet there is no evidence to support the complacent view that some inevitable decline in U.S. interest rates and the dollar will stimulate Europe's demand sufficiently to compensate for the deflationary effects of a softening U.S. economy. Fiscal stimulus, especially in countries enjoying structural budget surpluses, is left as the only feasible way forward for Europe to create jobs speedily and in substantial numbers."

Conservative wets will doubtless be quivering in the glow of belated recognition. Alas, the other part of the message in the June edition will depress them. For if there is any country in Europe which is already doing de Vries' bidding it is the UK.

The UK alone in Europe is showing a clear structural increase in public sector borrowing since 1982. It is the powerhouse of Europe in terms of generating internal demand. Its increase in industrial production has been achieved despite a fall this year in exports to the U.S.; in France, Germany and Italy output is being helped by a rapid increase in such exports. Growth in money supply has been particularly marked in the UK over the past year, and the run-up in British unit labour costs is particularly worrying.

Morgan Guaranty prescribes "not a massive fiscal programme pretending to wipe out unemployment overnight without provoking high inflation, but rather a modest fiscal boost that nudges Europe's growth rate up to the 3 per cent to 3.5 per cent range for the rest of the decade." The finger points firmly at West Germany whose general government borrowing, at 1.5 per cent GNP in 1983, is half its nearest European competitor's, whose real investment is declining, whose domestic orders for manufactured goods are showing no growth at all over last year's, whose current account is in exceptional surplus by European standards, whose real effective exchange rate has declined and whose inflation is running at just over 2 per cent per year.

It is in the *Kanalarmer* and not in Number 10 that the *Herald Tribune's* old and virtuous remedies for depression are still being applied.

Funding the youth training scheme

From the Chief Executive, Hairdressing Training Associates

Sir—Your report on the arrangements for the two-year Youth Training Scheme (June 28) appeared only a few days after another report (June 24) on how little is spent on training by the private sector in Britain. As the Manpower Services Commission requires a considerable level of employer support for its YTS plans there is a grave danger that this reluctance to invest in training will produce YTS "on the cheap."

A company or consortium now running a Youth Training Scheme receives, after paying its trainees, £15.40 per week to cover administrative costs for the 50-week programme. With the allowances set for trainees for the two-year scheme, an organisation running YTS will be left with only £9.60 per trainee per week. Therefore companies and administrative costs in the first year and, with the higher trainee allowance in the second year, only £1.90 per trainee per week. Therefore companies and administrative costs in the first year and, with the higher trainee allowance in the second year, only £1.90 per trainee per week. Therefore companies and administrative costs in the first year and, with the higher trainee allowance in the second year, only £1.90 per trainee per week.

There are also many schemes, like my own, which place their trainees in small businesses (shops, offices, hairdressing salons, etc.). These will have to ask for a sizeable contribution from the work-placement providers. If the MSC permits some organisations to run YTS on lower contributions than others, then those who charge a realistic fee in order to maintain the quality of their scheme could be forced out of business.

It is therefore essential that the MSC ensures that all com-

Letters to the Editor

panies and organisations running Youth Training Schemes have agreed means of funding a training scheme.

As the Manpower Services Commission requires a considerable level of employer support for its YTS plans there is a grave danger that this reluctance to invest in training will produce YTS "on the cheap."

Eric Jarvis, 775 Marlborough, Hemel Hempstead, Herts.

Venture capital for 'cottage industries'

From Mr N. J. Smith

Sir—I was initially encouraged to read in the Management Page (June 25) that venture capital organisations "are now putting their money into start-ups which—though they have no track record—are structured like truly fledged companies and accordingly need large sums."

However, to highlight under this category four businesses whose combined equity backing is less than £11m makes one pause for thought. As is mentioned in the article, international marketing (which to be effective cannot be done cheaply) is today a prerequisite for most technically based manufacturing businesses. Such businesses must also maintain a high level of investment in technical development and manufacturing capacity if they are to remain competitive in the international market against companies based in much larger domestic economies such as the U.S., Japan and West Germany. Can such business

really hope to do this successfully with the sort of equity backing mentioned in the article? Without inside knowledge it is not possible to know, but I beg to doubt it.

Only from the largest example cited in the article where a £22m equity commitment was mentioned can much comfort be drawn in this respect. That at least seems to show a willingness to invest heavily to reach quickly a minimum economic scale which alone can promise survival in today's tough business environment.

As for the statistic that the average venture capital investment in the UK in 1984 was £270,000, an allied with despair. Adequate though this level of investment may be for small local service businesses, it cannot take us far into international markets unless one intends to try to compete in world business at the "cottage industry" level. With major established companies literally liquidating themselves by generating uninvested "cash mountains" and state agencies out of the business development sphere, if our industrial future requires the generation of substantial new businesses, the prospect looks bleak indeed. Venture capital for all its promise of new beginnings may turn out to be a "Custer's last stand" rather than a "Dunkirk" in the long saga of Britain's industrial demise.

Norman J. Smith, 21 Westbury Lane, Canterbury, Kent.

Safety of visual display units

From the Technical Relations Manager, IBM UK

Sir—Your June 17 story, "VDU safety warning," is misleading and seriously misrepresents a report on visual display units prepared for IBM by Dr A. W. Guy.

Your readers should understand that Dr Guy's basic conclusion is that VDUs are "safe to use." To make this point clear, he has written a preface to his report in which he says: "I do not feel... that unshielded VDU emission levels represent a potential health hazard."

Contrary to your news story, Dr Guy does not recommend fitting current VDUs with an extra layer of shielding. He says shielding is desirable because it reassures those who perceive a problem—a perception he feels is based on unverified reports and not supported by valid scientific evidence. He adds that "such shielding is generally present in newer models of VDUs for reducing electromagnetic interference."

All IBM VDUs manufactured since 1971—including those manufactured and sold in the UK have been so shielded.

You say that IBM "is not publishing the report." We have been distributing copies of the full report, to anyone who requests it, since May and have widely distributed Dr Guy's report summary since September. In addition, Dr Guy has reported his findings at appropriate scientific forums.

IBM encourages further study in this field. We are confident that such study will continue to support the safety of VDU use.

Keith Williams, British House, Kingston Crescent, Portsmouth, Hants.

One way to reduce unemployment — without inflation

From Professor P. E. Hart

Sir—Your correspondent, Mr Whiting (June 17), Mrs Clifton (June 18) and Mr Juby (June 22) make some interesting comments on my article "One way to reduce UK unemployment" (June 12). I agree that the information on part-time employment is far from ideal, but the Population Census data on part-time employment includes those below the National Insurance contribution threshold. We have relatively more part-time employees than most other industrialised countries, including the U.S., as shown by Manley and Sawbridge, *Lloyds Bank Review*, January 1980, and by OECD *Employment Outlook*, September 1983. Sweden may be one of the few countries with relatively more part-time employment, but since part-time work is defined as less than 35 hours a week, compared with our 30 hours, we cannot be

certain about this.

There are many reasons why employers often prefer adult part-time workers to young full-time workers: national insurance contributions are only part of the explanation. Mrs Clifton makes a valid criticism of the quality of our school leavers. Prals and Wagner, *National Institute Economic Review*, May 1983, show that our pupils at the lower half of the ability range are inferior to those in Germany. If their employment prospects are to be improved, substantial changes must be made in the school curricula, including more vocational training. This will not be easy, under our present decentralisation of schooling, for it involves persuading heads of individual schools to change their ways.

It is true that most firms are small, but it is also true that most employment is in the larger firms. However, there is

no point in discouraging small firms from hiring full-time workers. Mr Juby believes that the various employment laws (involving redundancy payments, maternity benefits, dismissal etc.) encourage firms to hire part-time workers who work too few hours a week (usually below 16) to be covered by these laws. Against this we have the evidence of the surveys published by the Policy Studies Institute in 1978 and 1981 (Nos 377 and 596) which suggest that these laws do not discourage the hiring of labour. The Government has come down on Mr Juby's side and has relaxed the employment rules for small firms. Indeed, in his Budget statement, the Chancellor announced that the relaxed provisions for unfair dismissal would be extended from small firms to all employers. All these points arose from

one example of the kind of detailed microeconomic policies required to reduce unemployment. Some people might regard them as second best and would prefer to increase the total number of jobs by expanding aggregate demand. Unfortunately, the recent announcement of an increase in wages in the private sector at an annual rate of over 9 per cent, and the emphatic rejection by the Transport and General Workers' Union of any form of incomes policy, even under any future Labour government, suggest that increases in aggregate demand would lead to increases in wages and prices rather than in output and employment. Hence, at the present moment, we must concentrate on microeconomic policies to reduce unemployment if we wish to avoid inflation.

P. E. Hart, Department of Economics, University of Reading.

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Paul Betts in Paris hears about a recovery programme from France's 'man of the shadows'

Besse tests his health cure on Renault

M GEORGES BESSE claims that he does not want to be a star. It is not the job of an industrial entrepreneur to seek the public spotlight, according to the plain-talking chairman of Renault, France's troubled, state-owned car group and one of the country's biggest industrial headquarters.

Since taking over what is generally considered as the hottest job in French industry six months ago, M Besse has made strenuous efforts to keep as low a profile as possible. He has avoided public statements and public gatherings; he has been called "un homme de l'ombre," a man of the shadows.

However, his attempts to prevent a sort of popular cult of the industrial troubleshooter *par excellence* developing around him have failed. Almost no week goes by in France these days without M Besse's name

um group, which has now returned to profit. His first months at Renault were spent reviewing all aspects of a business with which he was unfamiliar.

M Besse's "health cure," as he calls it, involves a big slimming of Renault's car production, job cuts involving 21,000 car workers in France, savings wherever possible, a restructuring of the group's balance sheet, weighed down by long and medium-term debts of FF4,400, and greater scrutiny of investments with money spent only on essentials.

He acknowledges that recovery will be a long and difficult job. If the car market remains stable or grows by a few points a year, if prices do not collapse and Renault's restructuring programme stays on target, the group should be in better shape in about three years time. The first half of this year has continued to be disappointing, with Renault losing money at about the same rate as last year.

The "health cure" proposed by M Besse will not prove a quick or easy task. For a start, it requires a growing or at least stable car market in order to work.

appearing on the front pages of the country's newspapers or being heard on radio or television.

After nearly six months of silence, M Besse has put together the broad lines of his recovery strategy for Renault. Yesterday, for the first time, he agreed to talk about his plans to a group of journalists over coffee and croissants in the large Renault offices for entertaining, moored on the Seine near Notre Dame cathedral. Apart from asking that none of his comments be put between quotation marks, M Besse gave a detailed version of his plans for a company that had been a leading symbol of the best in French nationalised industry until it was hit by a profound crisis and record losses of FF12,550m (\$1,350m) last year.

The Socialist Government picked M Besse after his success during the past two years at restructuring the nationalised Pechiney alumin-



M Georges Besse

cent of American Motors Corporation (AMC). He acknowledged, however, that AMC had not been the success Renault had hoped. Renault's decision in 1981 to attack the American market in the small car sector proved an unhappy choice since it faced both the formidable Japanese challenge and the subsequent decline in oil prices which made large cars attractive again on the U.S. market.

Renault, he says, has two delicate years ahead in the U.S. If the AMC passenger car range is proving a problem, its Jeep business has done well. He also intends extending AMC's car range by exporting models from France, although Renault's first attempt a few years ago to export cars to the U.S. was not a success. When asked if he intended to sell Renault's interest in AMC, M Besse said no decision on the future of AMC had been taken.

M Besse is adopting a pragmatic and flexible approach to the job of restructuring Renault. When industrial necessity forces you to do something, you do it, he says. Although Renault is not involved in any negotiations over collaboration with another manufacturer, he is continuing talks with the Japanese on possible ventures in the car components sector, and is looking for a partner for Renault's loss-making farm machinery business.

He has decided to turn the company into an independent subsid-

ary of the group, to make it a more attractive proposition. Renault's large, loss-making truck subsidiary is also exploring collaboration ventures with other truck makers in the components sector and recently signed a letter of intent with Rockwell of the U.S. to collaborate on gearboxes.

In Mexico, Renault is holding advanced negotiations for General Motors to absorb a large part of the output of the French company's recently completed car-engine plant at Gomez Palacio.

M Besse is far more discreet about financial negotiations with his sole shareholder, the French Government, to restructure Renault's balance sheet. The group appears to have won the Government's approval for funds totalling about FF2,200m over the next three years. M Besse would not confirm that figure yesterday and said talks were not yet over.

The company has been seeking to save money wherever possible and last week announced it was selling its building in the Champs Elysees in Paris. Money is to be spent only on essential investments and several ventures in diversified sectors have been frozen or sold off. Those include a venture in liquid crystal technology for dashboard instruments with Stanley in Japan.

M Besse has decided to shed Renault's 51 per cent interest in Renix, the electronic car component joint venture with Bendix of the U.S. The problem for Renix, he said, was that the venture had failed to find customers for its products outside the Renault group in the past six years. He believes Renix will be freer to develop into an important supplier of electronic car components now that it is no longer linked with Renault.

The chairman gives the impression that he is quietly confident of putting Renault back on the right track. He is purposely avoiding spectacular strategic moves, believing the restructuring of Renault to be a patient business, or as he puts

it, a *travail de fourmi* (labour of ants).

He does not like strategic moves such as Renault's past policy of bringing out one new car a year; the less said about future model plans the better.

M Besse has waited until now to discuss his plans for Renault because, he says, he does not like to talk about things he does not know. One of the leading figures in the French nuclear industry, he was chairman of Cogema, the French nuclear fuels company, before taking over Pechiney.

He has always been a person who speaks his mind. When someone suggested yesterday that Renault was selling cars on the Italian market at cut prices, he replied that Sig Giovanni Agnelli, chairman of Fiat, charged 18 per cent more for his

cars in Italy than in France. Pre-tax car prices in France were the lowest in Europe, as much as 17 per cent lower than Italy and about 20 per cent lower than in Britain.

That is a problem for Renault because nearly 50 per cent of its FF1,180m annual turnover is in France. Another potential difficulty is the threat of a period of political instability after next year's general elections, although the Renault chairman claims not to be over-anxious because of his faith in the basic common sense of the French.

Despite his willingness to discuss the future of his company, M Besse is likely to continue to maintain a discreet approach to his job. After all, his is not only one of the most sensitive posts in French industry, but he also comes from Clermont-Ferrand, where he went to school with Francois Mitterrand, the even more discreet chairman of the French tyre company.

M Besse is quick to point out that Renault's action in selling cars in Italy at cut rates is no more than the equivalent of what Fiat is doing in France.

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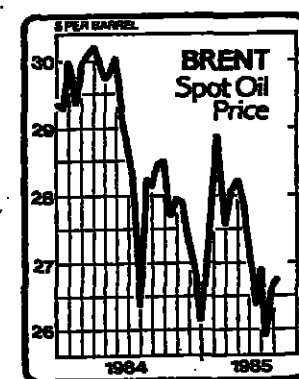
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THE LEX COLUMN

Viennese whirl for Opec



It looked last night as if a slightly more solid market, and some stirring words from Lord Hanson had been just enough to avert a rights-issue disaster. About a fifth of the new ordinary equity should be left with the underwriters and, while the preference issue is clearly beached, a successful placing of the remaining ordinarys might even see that start trading at a premium.

Opec

The markets used to look forward to Opec meetings with the trepidation generally reserved for dentistry, but not this time. For all the markets seem to care, today's gathering in Vienna might not be taking place and the Saudi threats of an oil price at \$15 more empty air. Sterling steams ahead, the spot price for Brent crude oil has recovered from its mid-June trough and the UK oil sector actually managed to swim against the dreadful tide of last week's stock markets.

The glowing backcloth is, perhaps, less than it seems. It could well be that the abolition of BNOG - at a time when the Brent spot price was over \$2 higher - may have weakened the Pavlovian reaction of foreign-exchange dealers to a weakening dollar oil price. While the spot market is much more confident of its pricing power as less Opec oil is traded on contract terms, the Brent price movement is more parochially linked to shortages of immediate North Sea delivery as capacity is shut in for maintenance. As for oil shares, even after a hard month for equities the majors are sitting on yields streets better than the market average.

Yet the chief reason for the current mood is that Opec is producing at a level some 1.5m barrels a day lower than its 10m b/d emergency ceiling price inducement. Naturally it is Saudi Arabia, which once bore the burden of increased demand, that is now taking the slack; and at 2.4m b/d, Saudi Arabia is not producing enough for the health of its wells and gas industry or to meet its aid commitments and budgetary targets.

With but one other tool to regulate its economy - not paying contractors - the country has been drawing on its non-oil liquid assets at a rate which it finds uncomfortable. But actually to carry out the implicit threat of flooding the market would be most out of character: Saudi Arabia has for years propped up living standards in countries technically inimical to its rulers and is more likely to be seeking some additional share - and less cheating

by others should consumption of Opec oil rise back towards the ceiling.

Should Opec actually decide to reduce this ceiling a bit, the UK oil sector might enjoy a small bounce since prices are discounting a fudged (but not disastrous) meeting. But at present, such decisive moves seem unlikely in an organisation fixed on individual volume shares and price differentials between local grades.

VW/Peugeot

Two months ago, the Volkswagen share price was trading on a prospective earnings multiple of about 3, leading at least one Wall Street house to dub it the cheapest share in the world. That humble appraisal has since been vindicated by a rise of no less than two thirds in the group's market capitalisation. Yesterday, VW estimated that the half-year to June had seen a reversal from group losses of DM 182m to profits of DM 260m.

VW cannot claim all the credit for the turnaround. The average dollar rate was around DM 3.15 in the first six months of the year, compared with an average of DM 2.85 in the whole of 1984, and a 1 pfg movement in the dollar adds around DM 10m to VW's bottom line. Moreover, the first half of last year was badly affected by the metalworkers' strike.

But, leaving the special factors aside, VW has still shown an underlying trading improvement, not least in the domestic market where the high-margin Golf and Jetta models are selling well. It looks set to report adjusted 1985 earnings of about DM 65, leaving the shares on a towering multiple of 5.3 times at last night's price of DM 345.

Even after the re-rating, the shares do not look exactly overpriced. But it seems that European

volume cars are not everybody's favourite business. Peugeot has had a fair share price run as well, crowned yesterday with news of a placing equivalent to a one-for-five rights issue, and yet the shares are still trading on a multiple of around 2½ times next year's earnings.

So either the European manufacturers are being unfairly neglected by the international investment community - which now prides itself on being able to establish a fair relative value for GM and VW at the press of a button - or the market has taken a look at the losses being chalked up by Renault and reminded itself of the volatility of European volume car earnings. The outcome of the Peugeot placing, a fair proportion of which is being done in London, may establish which interpretation is correct.

B & C

Two formidable barriers have long divided British & Commonwealth Shipping from potential investors. The sheer complexity of the way in which B & C's assets are held has been one problem; just to work out how much of Telerate it effectively controls has required the tracing of a path which leads from the stake in Exco, through the financial holding company St Mary Axe, and back through two other investment companies which themselves own shares in either St Mary Axe or B & C or both. The other barrier, practical rather than intellectual, is that the share capital has not been increased for 30 years and half of it is tightly held; it has therefore been exceedingly hard for large funds to deal in the necessary size.

By the simple device of buying in some minority holdings in group companies - instead of issuing 27m shares to do so - B & C could make itself considerably more accessible. Owning all of St Mary Axe will do something to sort out the relations with Exco, Telerate and Garmore, while complete ownership of Bristol Helicopter and the other aviation interests might actually lead to some simplification of management. Since the £53m that B & C is paying for the minorities may be a fraction less than their market value, there is no real asset dilution; not is B & C's interest in the earnings stream likely to be noticeably thinned down. And if the recent firming of Telerate's share price were merely to be as clearly reflected in the valuation of B & C as in that of Exco, the more transparent pattern of holdings would be justified.

Progress limited in New Delhi summit

By K. K. Sharma in New Delhi

INDIAN and Pakistani troops exchanged fire across the cease-fire line in the disputed state of Kashmir yesterday as the foreign ministers of the two countries concluded a meeting on co-operation in New Delhi.

No real improvement in relations is expected to result from the discussions, by a joint commission, despite Pakistan's Foreign Minister Yakub Khan's statement that a "spirit of friendship" had been found and the conclusion of India's Khurshed Alam Khan that the three-day meeting had been "productive and satisfactory."

The meeting is nevertheless important because it marks the renewal of talks between Indian and Pakistani leaders. Relations had deteriorated steadily since the joint commission was formed two years ago. One significant change was Mr Yakub Khan's willingness to discuss issues of checking terrorism with Prime Minister Rajiv Gandhi and other Indian leaders. India has accused Pakistan of providing shelter and training for Sikh terrorists.

The joint commission reached agreement on matters of agriculture, tourism and telephone communications which, if implemented, will result in a marked increase contact between the countries. There was no agreement, however, on an expansion of trade, which is handicapped by Pakistan's reluctance to allow private companies in the two countries to deal directly with each other.

Officials of the two governments are due to meet on July 30 with proposals for a friendship treaty on which no progress has been made for three years.

Rhopal waits in quiet anger, Page 4

UK jobless total shows biggest monthly decline for six years

BY PHILIP STEPHENS IN LONDON

BRITAIN'S underlying unemployment total fell last month for the first time for more than a year, but it is uncertain whether the drop marks a reversal of the long-standing upward trend.

The Department of Employment said the seasonally adjusted figure, the best guide to the underlying trend in the labour market, showed a fall of 7,400 last month to leave the jobless total at 3,17m, or 13.1 per cent of Britain's working population.

The unadjusted total, which includes school-leavers and is subject to large seasonal fluctuations, fell by 82,400 to stand at 3,18m.

The fall in the adjusted figure was the largest since 1979. Taken with a further rise in the number of vacancies, it was characterised by Mr Tom King, the Conservative Government's Employment Secretary, as adding up to "the best

month for more than five years." He acknowledged, however, that it was too soon to draw conclusions about the future trend.

Britain's unemployment rate is still high against the average of other industrialised nations. Standardised figures for May, the latest available, put Britain's rate at 13.4 per cent compared with a European Community average of 10.9 per cent.

UK unemployment rose by an average of 11,000 each month in the first half of this year, down slightly from an average monthly rise of 12,000 in the last half of 1984. Government economists believe that these six-monthly averages are the best guide to the underlying trend.

Mr John Prescott, employment spokesman for the opposition Labour Party, meanwhile accused the Government of "fiddling" the jobless figures because 104,000 young

people leaving school this summer are excluded from the official count because they are not eligible to claim unemployment benefit until September.

Mr David Steel, the Liberal leader, said there was "not one sign of hope or recovery" in the June figure.

The Government, however, clearly hopes that the fall might mark at least a levelling out of the underlying trend over coming months. Officials were pointing out that the level of notified vacancies has now risen for four months, in succession.

The figure of 189,000 vacancies in June, up 8,000 from May, is the highest since 1980. Officials estimate that the total number of vacancies in the economy now stands at between 475,000 and 575,000, since only about one third have traditionally been recorded at state employment offices.

Horten profit fall forces dividend cut

HORTEN, the West German retail store chain majority-owned by BAT Industries of the UK, is cutting its dividend after a profit setback, writes John Davies in Frankfurt.

Net profit in the financial year to the end of February fell by 44 per cent to DM 20m (\$6.5m), compared with DM 36m in 1983-84. The widely expected, proposed dividend cut will take the payout down to DM 4 per share from DM 6 on the previous year's results.

Horten hopes to bounce back with an improved performance this year, even though consumer spending remains restrained in West Germany and retail competition is fierce.

All the country's big retail groups faced serious difficulties last year, with the seven-week labour conflict

in the metal industry causing shoppers to keep an exceptionally tight hold on purse strings.

Horten, the country's fourth largest department store group, has already reported that sales revenue from its 58 stores in 1984-85 slipped 1.9 per cent to DM 2,670m, excluding food and travel business and Peter Hahn fashion sales.

Horten has responded to the increasing retail pressures by closing some stores and opening new ones, by transferring its unprofitable food business to the Edeka group and by revamping its product range.

Part of its strategy is to create a speciality department store image, for example through its fashion boutiques and computer shops.

BAT Industries, through its Batig holding company in West Germany,

lifted its stake in Horten to 51 per cent last year. It has increased its share stake in stages since acquiring a 25.6 per cent holding in 1971.

Horten's larger rivals - Karstadt, Kaufhof and Herta - all reported lower sales revenue last year. Karstadt and Kaufhof both made lower group profits, while Herta, largely owned by private trusts, suffered a much-increased loss.

All of those groups have been intent on rationalising their operations and seeking a formula for success in their hard-fought market.

Retail sales in West Germany, in price-adjusted terms, suffered a setback in 1982 and have been fairly flat since then. Department stores, as a group, have steadily lost ground to the challenge of discount stores and hypermarkets in less central locations.

Peugeot rights issue

Continued from Page 1

In 1983 of Peugeot bonds with warrants attached exercise their warrants. This coupled with the new equity issue will bring the total of outstanding shares to 12m in 1987.

No new major shareholder is expected at this stage to take a substantial block of the new shares. At the same time, the company is expecting significant foreign interest in the new stock issue.

The Peugeot family currently holds 34.5 per cent of the outstanding shares, while the other major shareholders are Michelin with 9 per cent and Chrysler with a little under 15 per cent.

The Peugeot family is not expected to subscribe to the new issue. This is also expected to be the case with Michelin and Chrysler.

The decision of the car group to return to the equity market also reflects Peugeot's intentions to take advantage of the generally buoyant state of the bourse and the continuing strong demand for French blue chip and recovery stocks from foreign institutions and investors.

M Jacques Dalvet, Peugeot's chairman, had suggested in February that the group was considering raising capital by issuing new shares.

World Weather

Area	°C	°F	Area	°C	°F	Area	°C	°F	Area	°C	°F
Algeria	21	70	Denmark	15	59	Malaysia	26	79	Saudi Arabia	32	90
Algeria	21	70	France	18	64	Mexico	28	82	Saudi Arabia	32	90
Algeria	21	70	Germany	17	63	Nigeria	28	82	Saudi Arabia	32	90
Algeria	21	70	Italy	22	72	Philippines	28	82	Saudi Arabia	32	90
Algeria	21	70	Japan	22	72	Poland	18	64	Saudi Arabia	32	90
Algeria	21	70	South Africa	18	64	Spain	22	72	Saudi Arabia	32	90
Algeria	21	70	Sweden	15	59	Taiwan	28	82	Saudi Arabia	32	90
Algeria	21	70	Switzerland	17	63	Thailand	28	82	Saudi Arabia	32	90
Algeria	21	70	U.S.A.	22	72	U.S.S.R.	18	64	Saudi Arabia	32	90
Algeria	21	70	U.K.	17	63	Vietnam	28	82	Saudi Arabia	32	90
Algeria	21	70	Yugoslavia	18	64	Yugoslavia	28	82	Saudi Arabia	32	90
Algeria	21	70							Saudi Arabia	32	90

Readings at mid-day yesterday.
C-Clearly D-Drizzle F-Fog P-Precipitation S-Storm
SI-Snow T-Thunder



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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Friday July 5 1985

FLT BEARINGS

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SKILLED MANAGEMENT LIFTS PORTFOLIO YIELD OVER 16%

World Bank profits top \$1bn

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN PARIS

THE WORLD BANK will report record net profits of more than \$1bn for its fiscal year which ended on Sunday, Mr Eugene Rotberg, senior vice-president and treasurer, said in Paris yesterday.

The results, to be published formally in the middle of this month, will also show a surge in liquidity to a record level of almost \$18bn, he told a meeting of bankers and analysts.

The high level of profits, which compares with just \$800m in the previous fiscal year, has clearly come as something of an embarrassment to the bank, as it lays the institution open to criticism that it is overcharging developing countries to which it provides project finance.

But Mr Rotberg made clear that the profits came mainly from the bank's active management of its growing liquidity portfolio, which is in turn a function of its decision to borrow more than it needed over the last year while interest rates were low. Gross trading of liquid investments amounted to \$3,000bn last year, which boosted the yield on liquid assets to more than 16 per cent.

Mr Rotberg said the World Bank had yet to decide how to deploy last year's profits, but as much as \$150m might be made directly available to help the poorest countries in sub-Saharan Africa. The rest would go to boost the bank's reserves and add to the funds of its International Development Association (IDA) affiliate.

Only a small part of the increase in the bank's liquidity, which a year earlier had stood at \$14.9bn, had occurred as a result of a slowdown in disbursements of loans to developing countries, he said. The rest was the result of a deliberate policy of overborrowing.

Underlying his remarks was a belief that interest rates on world bond markets may be at or near their cyclical lows. The World Bank, which on average launches a new international bond issue every 2½ days, is the largest non-sovereign borrower in international bond markets.

It now believes that it is less risky to borrow dollars at today's rates than to wait and see if rates continue lower. Dollar rates are the lowest in seven or eight years. "We

do not want to delay," he said.

Even so the high liquidity, which now amounts to 98 per cent of all debt owed to the public over the next five years, means that the bank expects to borrow only \$90m-\$100m in its current fiscal year, compared with \$11.2bn in the year just ended. This target may be revised in December, depending on the bank's lending programme.

Outlining the bank's borrowing plans, Mr Rotberg made the following points:

● About one third of this year's new borrowing will be in dollars, although the bank also intends to arrange \$1.8bn in currency swaps. The result will be that the Swiss franc will again have the largest share in borrowing at 25 per cent, followed by D-Marks and yen with 20 per cent apiece.

● The bank is now looking for the first time at launching floating rate notes in currencies other than dollars, specifically sterling, yen and Swiss francs, but a decision to go ahead depends on finding the right reference rate.

The bank still believes the London interbank offered rate (Libor)

is too volatile a reference. For its dollar floaters it has always used the U.S. Treasury bill rate as a reference and an equivalent will have to be found in other currencies.

● The bank also plans to launch one or two new types of instrument to the market this year and will increase its borrowing in Ecus, he said.

Last year its borrowing programme covered 12 separate currencies and was arranged at an average nominal cost of 7.08 per cent, compared with 8.42 per cent in 1983-84. This week the bank announced that as a consequence of its lower borrowing costs it would reduce its lending rate for the next six months to 8.92 per cent from 9.28 per cent previously.

Mr Rotberg was in Paris to complete arrangements for the bank's new FFf 1bn bond issue, only its second ever borrowing in French currency. He said the issue might be swapped into Swiss francs as this could produce a lower overall cost after likely exchange rate changes were taken into account.

Total outstanding borrowings are now some \$50bn.



Mr Gunnar Wessman

Pharmacia chairman resigns

By David Brown in Stockholm

MR GUNNAR WESSMAN, chairman of Pharmacia, the Swedish pharmaceutical and biotechnology group, resigned unexpectedly after an extraordinary board meeting yesterday.

Mr Wessman, who has been with the company since 1980, strongly denied persistent reports of disagreements within Pharmacia over strategic planning and policy since Volvo, the motor and industrial group, took a large stake in the company.

He will be replaced at least temporarily by Mr Gunnar Hambræus, a board member and chairman of the Royal Swedish Academy of Engineering Sciences.

Volvo's purchase of a large voting stake in Pharmacia last February was greeted as "a very positive" step towards the group's strategic planning by Mr Erik Danielsson, who became chief executive when Mr Wessman was named board chairman last year.

Volvo now controls directly and indirectly some 33 per cent of the voting power and is Pharmacia's largest shareholder. It is represented by its managing director, Mr Haakan Frisinger, on the 10-man Pharmacia board.

Buyer of BI-Invest stake 'is acting for Italian consortium'

BY ALAN FRIEDMAN IN MILAN

THE MYSTERY buyer who has built up a 47.8 per cent stake in BI-Invest, the Bonomi family's financial, property and industrial group, disclosed yesterday that he had received an offer from "an important Italian group" to buy the share stake and therefore possibly take effective control of BI-Invest. The buyer had spent an estimated £180m (\$33m) on the Milan Bourse by last night.

Conson, the Italian stock market watchdog, yesterday suspended trading in BI-Invest shares, after they reached a peak of £10,200, up by 12 per cent on the day and by 66 per cent since Monday.

Sig Francesco Micheli, vice-president of Finarte, an Italian art auction house, and also a director of Morgan Grenfell, the London mer-

chant bank, yesterday identified himself as the "co-ordinator of the share buying operation."

Sig Micheli said he was acting for a consortium of top Italian investors who wanted to take control of BI-Invest. "We believe that with 38m shares we now have a larger control of the company than the Bonomi family," he said. Sig Carlo Bonomi, BI-Invest chairman, holds 30 per cent of the shares for his family.

Sig Micheli disclosed that he had yesterday received an emissary "from an important Italian group" which wants to buy the share stake he has built up over the last four weeks. Negotiations are understood to be under way.

A climax could come before BI-

Invest has time to convene its July 22 meeting to ask for authority to buy shares in defence of the company. Sig Micheli, who said his consortium of mystery buyers were "top names, clean, people with ties and jackets," said his group's last share purchase was 4m shares on Tuesday. Yesterday the Milan Bourse was full of speculation that the Bonomi family or its allies were frantically buying BI-Invest shares in an effort to overtake the holding of Sig Micheli's consortium.

While the Micheli group's 38m shares amount to 47.8 per cent of BI-Invest on the basis of 79,42bn issued ordinary and saving shares, the stake would drop to 38 per cent if all the outstanding BI-Invest bonds in issue were converted to equity.

Carolina banks agree \$307m merger deal

BY TERRY DODSWORTH IN NEW YORK

THE NCNB banking group of North Carolina, the largest bank in the south east of the U.S., is to merge with Bankers Trust of South Carolina in the third large-scale interstate transaction to be concluded within the last three weeks.

The deal, valued at \$307m, involves the acquisition of the South Carolina group for \$33.15 a share in cash, and 0.41 shares of NCNB stock for each of Bankers Trust's shares. After a 5½ rise in NCNB's shares on the New York Stock Exchange to \$43.94 on Wednesday, this gives a total per share value for the offer of \$51.

Banks in the south east of the U.S. are currently scrambling to form interstate alliances following a Supreme Court judgment which favoured regional amalgamations rather than national banking net-

works. Several states in the south-east have passed laws which open up their individual banking systems to banks in contiguous states on a reciprocal basis.

NCNB, based in Charlotte, was the 26th largest bank in the U.S. last year, with assets of \$15.7bn. The merger with the South Carolina bank will push its assets up to around \$17.5bn, maintaining its lead in terms of size over the two other recently announced groups.

The largest of these, formed by the Wachovia Bank of North Carolina and First Atlanta Corporation of Georgia, will have assets of \$15.5bn, while the second, formed by First Union Corporation of North Carolina and the Atlantic Bancorporation of Florida, will have assets of \$14.4bn.

Liquidation of Wheelock Maritime

By Our Financial Staff

WHEELOCK Maritime International, the loss-making Hong Kong shipping group, yesterday decided to put itself into liquidation.

The move followed its warning in March that it was in a "critical financial position" and the subsequent acquisition of a 50 per cent stake by Sir Yue-Kong Pao's Hongkong and Kowloon Wharf.

Sir Y. K. Pao inherited the holding when he took near-full control of Wheelock Marden, the trading house, after a protracted bid battle earlier this year. Although much of his own fortune has come from shipowning, he is believed to be keen to reduce his exposure to the industry.

His strategy is instead expected to concentrate on property investment and China trade.

EUROBONDS

Mixed fortunes for Australian \$ issues

BY MAGGIE URRY IN LONDON

THE CLOSURE of the U.S. bond market for Independence Day, yesterday left the Eurobond market to concentrate on Australian dollar issues.

The sector has been active lately, with European investors attracted by high yields compared to U.S. dollar bond yields, in a currency which has potential to appreciate. Two new issues appeared yesterday, each for A\$50m.

Orion Royal Bank launched a six-year deal for CRA Finance, a subsidiary of the mining company controlled by RTZ, with a 13½ per cent coupon and 100% issue price. The deal was well received and was

trading around 99½, well inside the 2 per cent total fees.

Despite the sector's strength traders felt that Hambros Bank had gone too far in pricing the other issue, for South-Australian Government Finance, with a coupon of 12½ per cent and a 100% issue price for the six-year bonds. The pointed out that the recent New South Wales issue had a seven-year life with a 12½ per cent coupon and 100% issue price.

Hambros brought in Kredietbank and Bahr & Co as co-leads. Dealers said that some banks had declined offers to join the syndicate. Fees total 2 per cent and some traders

were quoting the issue at a discount larger than that.

The Eurodollar bond market was sporadic yesterday without a lead from New York. Banque Nationale de Paris formally launched a \$100m floating rate note for Banque Arabes et Internationale d'Investissement which has been largely pre-placed. In the European currency unit market, Nomura International launched a £200m deal for Dai-ichi Kangyo Bank, the Japanese property group. The deal is guaranteed by Sanwa Bank.

As it is a direct issue from Japan, the Japanese insurance companies are allowed to buy it without using

up their quota of foreign bond holdings. That might explain terms which looked tight at an 8½ per cent coupon and 100% issue price on the seven-year deal. Fees total 1½ per cent.

British Petroleum was again borrowing yesterday, this time in the Swiss franc public market. The Swiss 70m issue matures after 12 years and last manager UBS set the terms at a 4½ per cent coupon and 100% issue price. It is thought that the proceeds will be used in a swap.

International bond service, Page 18

\$150m note facility for Blue Circle

BY ALEXANDER NICOLL IN LONDON

BLUE CIRCLE Industries, the UK cement manufacturer, has become the latest of a handful of British companies to arrange note issuance facilities. It will be able to issue up to \$150m of short-term Eurodollar notes over a 10-year period.

Mr Colin Hunter, the company's treasurer, said: "We see this not as a standby, but as a line which will be fully drawn." Blue Circle will use it to refinance more cheaply short-term dollar debt incurred in the re-

cent \$145m purchase of Atlantic Cement from Newmont Mining.

The favourable market response earlier this week to ICI's first drawing under its \$400m facility indicated that this was the cheapest form of finance currently available, Mr Hunter said.

Blue Circle has already partially funded the Atlantic Cement purchase through a \$80m share placing. The new facility would enable more efficient foreign exchange ex-

posure management and would match dollar assets with debts in the same currency, Mr Hunter added.

The deal, lead managed by Orion Royal Bank with the newly formed Lloyds Merchant Bank as co-lead, incorporates a swing line allowing Blue Circle immediate access to \$75m for up to 17 days.

The borrower may issue paper of one, two, three or six months' maturity and will have a choice of two is-

suing methods.

The options are the tender panel, in which participating banks are invited to tender for paper, and the "issuer-set" margin, in which the borrower sets a spread and gives all participating banks the option of taking paper at that rate.

Managers - a small group is being sought - will be paid facility fees of 0.1 per cent for five years and 0.125 per cent for the remaining five.

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per Depositary Share:
U.S.\$10,187.27
per Depositary Share:
(Second Series)
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per Depositary Share:
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U.S.\$8,141.18
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INTL. COMPANIES and FINANCE

Improved results lift Paris bourse

By David Marsh in Paris

AN INDICATION of one reason for the strong showing of the Paris bourse over the last 18 months has come from figures showing a large increase in overall 1984 results from companies quoted on the stock exchange.

According to statistics from the Commission des Opérations de Bourse, 80 out of a sample of 89 of the most quoted stocks improved their results last year. Out of this total, 20 companies increased profits by more than 50 per cent, while 22 registered earnings increases of between 10 and 50 per cent.

In the sample, 26 concerns recorded lower profits last year, while three turned into loss after making profits in 1983.

The stock market in Paris rose 55 per cent in 1983 and a further 16.5 per cent last year. After a 30 per cent rise in the first five months of this year, it has, however, since fallen back and is now entering what seems to be a long-awaited consolidation phase.

Share prices yesterday fell 1.1 per cent according to the stock exchange's "Instantaneous" index, with the onset of the summer holidays apparently cutting back supplies of new funds to the market, stockbrokers said.

Electrolux sells stake in Fermenta

STOCKHOLM - Electrolux, the Swedish home appliance group, has sold 80 per cent of its 20 per cent stake in Fermenta back to Mr. Rafat El-Sayed, Fermenta's president and principal owner.

The transaction strengthens Mr. El-Sayed's hold on Fermenta and moves Electrolux from second largest shareholder to third place. The agreement will not affect the position of Mr. Gösta Rydbeck, Fermenta's board chairman, who is also chief executive officer of Electrolux.

Mr. El-Sayed has repurchased 1.05m class B unrestricted shares from Electrolux under an agreement signed between the two firms.

Electrolux bought the block in 1984. Mr. Bo Hermansson, vice-president of Fermenta, said the exact selling price of the block is unknown, but he acknowledged the shares changed hands below their market value of Skr 375m (\$42.9m).

The deal raises Mr. El-Sayed's voting stake in Fermenta to about 79 per cent from 74 per cent. His shareholding rises to about 42 per cent from 30 per cent. Reuters

Rising imports hit Goodyear

NEW YORK - Goodyear Tire and Rubber, the largest U.S. tyre group, expects net income for the second quarter to be about 25 per cent below the \$108.6m or \$1.02 per share earned in the corresponding period a year earlier.

The company said a major cause for the reduction in income was the replacement tyre business, which is being severely hurt by reduced demand and an increased supply of imported tyres.

Other items affecting net income are start-up costs associated with the conversion from cross-ply to radial tyre production at the Tyler, Texas, plant; the effects of the now settled strike at Valleyfield, Quebec; and costs associated with restructuring of the company's Australian subsidiary. Reuters

Mannesmann forecasts rise

By Our Financial Staff

MANNESMANN, West German engineering, says there is a good chance that profits in 1985 could return to the levels of 1982 after two years of lower results.

Herr Josef Weisweiler, chairman, told the annual meeting the group would first have to adjust fully to the decline in profit in 1983 and 1984 before it could consider paying a higher dividend.

Last year, Mannesmann paid an unchanged DM 4 dividend, and nearly doubled world group net profit to DM 188.5m (\$62m) from DM 96m in 1983. In 1982, group net profit came to DM 280m.

Elf to settle Basic dispute

By Our Financial Staff

ELF-AQUITAINE has agreed to pay \$50m plus interest to Basic Resources International (Bahamas) to settle all outstanding litigation between the two companies. The dispute, which has been running since 1982 and which centres on an oil venture in Guatemala, has involved several tribunals.

Basic is 33.7 per cent owned by Générale Occidentale.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 4.

U.S. DOLLAR	Issued	Bid	Offer	Change on day	Yield
STRAIGHTS					
Ames Credit 10 1/2 90	100	101 1/2	102 1/2	+0 1/2	12.28
Ames Credit 12 1/2 88	100	102 1/2	103 1/2	+0 1/2	12.53
Bank of Tokyo 10 1/2 91	100	101 1/2	102 1/2	+0 1/2	12.42
BP Capital 11 1/2 92	100	102 1/2	103 1/2	+0 1/2	12.58
Casino Nat 12 1/2 91	100	103 1/2	104 1/2	+0 1/2	12.67
Canada 11 1/2 90	100	102 1/2	103 1/2	+0 1/2	12.65
Canadian Pac 10 1/2 90	100	101 1/2	102 1/2	+0 1/2	12.38
Canadian Pac 12 1/2 88	100	102 1/2	103 1/2	+0 1/2	12.57
CBS Inc 11 1/2 90	100	102 1/2	103 1/2	+0 1/2	12.53
Chemical Bank 10 1/2 90	100	101 1/2	102 1/2	+0 1/2	12.46
Comcorp 11 1/2 90	100	102 1/2	103 1/2	+0 1/2	12.51
Compaq 11 1/2 90	100	102 1/2	103 1/2	+0 1/2	12.52
Compaq 12 1/2 88	100	103 1/2	104 1/2	+0 1/2	12.58
Compaq 13 1/2 86	100	104 1/2	105 1/2	+0 1/2	12.68
Compaq 14 1/2 84	100	105 1/2	106 1/2	+0 1/2	12.78
Compaq 15 1/2 82	100	106 1/2	107 1/2	+0 1/2	12.88
Compaq 16 1/2 80	100	107 1/2	108 1/2	+0 1/2	12.98
Compaq 17 1/2 78	100	108 1/2	109 1/2	+0 1/2	13.08
Compaq 18 1/2 76	100	109 1/2	110 1/2	+0 1/2	13.18
Compaq 19 1/2 74	100	110 1/2	111 1/2	+0 1/2	13.28
Compaq 20 1/2 72	100	111 1/2	112 1/2	+0 1/2	13.38
Compaq 21 1/2 70	100	112 1/2	113 1/2	+0 1/2	13.48
Compaq 22 1/2 68	100	113 1/2	114 1/2	+0 1/2	13.58
Compaq 23 1/2 66	100	114 1/2	115 1/2	+0 1/2	13.68
Compaq 24 1/2 64	100	115 1/2	116 1/2	+0 1/2	13.78
Compaq 25 1/2 62	100	116 1/2	117 1/2	+0 1/2	13.88
Compaq 26 1/2 60	100	117 1/2	118 1/2	+0 1/2	13.98
Compaq 27 1/2 58	100	118 1/2	119 1/2	+0 1/2	14.08
Compaq 28 1/2 56	100	119 1/2	120 1/2	+0 1/2	14.18
Compaq 29 1/2 54	100	120 1/2	121 1/2	+0 1/2	14.28
Compaq 30 1/2 52	100	121 1/2	122 1/2	+0 1/2	14.38
Compaq 31 1/2 50	100	122 1/2	123 1/2	+0 1/2	14.48
Compaq 32 1/2 48	100	123 1/2	124 1/2	+0 1/2	14.58
Compaq 33 1/2 46	100	124 1/2	125 1/2	+0 1/2	14.68
Compaq 34 1/2 44	100	125 1/2	126 1/2	+0 1/2	14.78
Compaq 35 1/2 42	100	126 1/2	127 1/2	+0 1/2	14.88
Compaq 36 1/2 40	100	127 1/2	128 1/2	+0 1/2	14.98
Compaq 37 1/2 38	100	128 1/2	129 1/2	+0 1/2	15.08
Compaq 38 1/2 36	100	129 1/2	130 1/2	+0 1/2	15.18
Compaq 39 1/2 34	100	130 1/2	131 1/2	+0 1/2	15.28
Compaq 40 1/2 32	100	131 1/2	132 1/2	+0 1/2	15.38
Compaq 41 1/2 30	100	132 1/2	133 1/2	+0 1/2	15.48
Compaq 42 1/2 28	100	133 1/2	134 1/2	+0 1/2	15.58
Compaq 43 1/2 26	100	134 1/2	135 1/2	+0 1/2	15.68
Compaq 44 1/2 24	100	135 1/2	136 1/2	+0 1/2	15.78
Compaq 45 1/2 22	100	136 1/2	137 1/2	+0 1/2	15.88
Compaq 46 1/2 20	100	137 1/2	138 1/2	+0 1/2	15.98
Compaq 47 1/2 18	100	138 1/2	139 1/2	+0 1/2	16.08
Compaq 48 1/2 16	100	139 1/2	140 1/2	+0 1/2	16.18
Compaq 49 1/2 14	100	140 1/2	141 1/2	+0 1/2	16.28
Compaq 50 1/2 12	100	141 1/2	142 1/2	+0 1/2	16.38
Compaq 51 1/2 10	100	142 1/2	143 1/2	+0 1/2	16.48
Compaq 52 1/2 8	100	143 1/2	144 1/2	+0 1/2	16.58
Compaq 53 1/2 6	100	144 1/2	145 1/2	+0 1/2	16.68
Compaq 54 1/2 4	100	145 1/2	146 1/2	+0 1/2	16.78
Compaq 55 1/2 2	100	146 1/2	147 1/2	+0 1/2	16.88
Compaq 56 1/2 0	100	147 1/2	148 1/2	+0 1/2	16.98
Compaq 57 1/2 -2	100	148 1/2	149 1/2	+0 1/2	17.08
Compaq 58 1/2 -4	100	149 1/2	150 1/2	+0 1/2	17.18
Compaq 59 1/2 -6	100	150 1/2	151 1/2	+0 1/2	17.28
Compaq 60 1/2 -8	100	151 1/2	152 1/2	+0 1/2	17.38
Compaq 61 1/2 -10	100	152 1/2	153 1/2	+0 1/2	17.48
Compaq 62 1/2 -12	100	153 1/2	154 1/2	+0 1/2	17.58
Compaq 63 1/2 -14	100	154 1/2	155 1/2	+0 1/2	17.68
Compaq 64 1/2 -16	100	155 1/2	156 1/2	+0 1/2	17.78
Compaq 65 1/2 -18	100	156 1/2	157 1/2	+0 1/2	17.88
Compaq 66 1/2 -20	100	157 1/2	158 1/2	+0 1/2	17.98
Compaq 67 1/2 -22	100	158 1/2	159 1/2	+0 1/2	18.08
Compaq 68 1/2 -24	100	159 1/2	160 1/2	+0 1/2	18.18
Compaq 69 1/2 -26	100	160 1/2	161 1/2	+0 1/2	18.28
Compaq 70 1/2 -28	100	161 1/2	162 1/2	+0 1/2	18.38
Compaq 71 1/2 -30	100	162 1/2	163 1/2	+0 1/2	18.48
Compaq 72 1/2 -32	100	163 1/2	164 1/2	+0 1/2	18.58
Compaq 73 1/2 -34	100	164 1/2	165 1/2	+0 1/2	18.68
Compaq 74 1/2 -36	100	165 1/2	166 1/2	+0 1/2	18.78
Compaq 75 1/2 -38	100	166 1/2	167 1/2	+0 1/2	18.88
Compaq 76 1/2 -40	100	167 1/2	168 1/2	+0 1/2	18.98
Compaq 77 1/2 -42	100	168 1/2	169 1/2	+0 1/2	19.08
Compaq 78 1/2 -44	100	169 1/2	170 1/2	+0 1/2	19.18
Compaq 79 1/2 -46	100	170 1/2	171 1/2	+0 1/2	19.28
Compaq 80 1/2 -48	100	171 1/2	172 1/2	+0 1/2	19.38
Compaq 81 1/2 -50	100	172 1/2	173 1/2	+0 1/2	19.48
Compaq 82 1/2 -52	100	173 1/2	174 1/2	+0 1/2	19.58
Compaq 83 1/2 -54	100	174 1/2	175 1/2	+0 1/2	19.68
Compaq 84 1/2 -56	100	175 1/2	176 1/2	+0 1/2	19.78
Compaq 85 1/2 -58	100	176 1/2	177 1/2	+0 1/2	19.88
Compaq 86 1/2 -60	100	177 1/2	178 1/2	+0 1/2	19.98
Compaq 87 1/2 -62	100	178 1/2	179 1/2	+0 1/2	20.08
Compaq 88 1/2 -64	100	179 1/2	180 1/2	+0 1/2	20.18
Compaq 89 1/2 -66	100	180 1/2	181 1/2	+0 1/2	20.28
Compaq 90 1/2 -68	100	181 1/2	182 1/2	+0 1/2	20.38
Compaq 91 1/2 -70	100	182 1/2	183 1/2	+0 1/2	20.48
Compaq 92 1/2 -72	100	183 1/2	184 1/2	+0 1/2	20.58
Compaq 93 1/2 -74	100	184 1/2	185 1/2	+0 1/2	20.68
Compaq 94 1/2 -76	100	185 1/2	186 1/2	+0 1/2	20.78
Compaq 95 1/2 -78	100	186 1/2	187 1/2	+0 1/2	20.88
Compaq 96 1/2 -80	100	187 1/2	188 1/2	+0 1/2	20.98
Compaq 97 1/2 -82	100	188 1/2	189 1/2	+0 1/2	21.08

This announcement appears as a matter of record only. It does not constitute an offer to sell nor a solicitation of an offer to buy these securities.

U.S. \$400,000,000

BFCE
BANQUE FRANÇAISE
DU COMMERCE EXTERIEUR

Guaranteed Floating Rate Notes Due 1997

Unconditionally Guaranteed by

The Republic of France

Shearson Lehman Brothers International

Crédit Lyonnais

Salomon Brothers International Limited

Bankers Trust International Limited	Banque Indosuez	Banque Nationale de Paris
Barclays Merchant Bank Limited	Caisse des Dépôts et Consignations	
Commerzbank	County Bank Limited	Credit Suisse First Boston Limited
Crédit Agricole	Dresdner Bank	Enskilda Securities
Kidder, Peabody International Limited	Generale Bank S.A.	LTCB International Limited
Manufacturers Hanover Limited	Merrill Lynch Capital Markets	
Morgan Guaranty Ltd	Morgan Stanley International	
Samuel Montagu & Co. Limited	The Nikko Securities Co., (Europe) Ltd.	
Nippon Credit International (Hong Kong) Limited	Orion Royal Bank Limited	
Société Générale	Sumitomo Trust International Limited	
Swiss Bank Corporation International Limited	S. G. Warburg & Co. Ltd.	

This announcement appears as a matter of record only. It does not constitute an offer to sell nor a solicitation of an offer to buy these securities.

U.S. \$200,000,000

General Electric Credit Corporation

(Incorporated in the State of New York, U.S.A.)

Extendible Notes Due May 21, 2000

Shearson Lehman Brothers International

Union Bank of Switzerland (Securities)

Al-Mal Group	Bank of Tokyo International Limited	Banque Indosuez
Crédit Agricole	Credit Commercial de France	Crédit Lyonnais
Crédit du Nord	Daiwa Europe Limited	European Banking Company
First Chicago Limited	Genossenschaftliche Zentralbank AG	Great Pacific Capital S.A.
Kyowa Bank Nederland N.V.	McLeod Young Weir International Limited	
Mitsubishi Finance International Limited	Morgan Grenfell & Co. Limited	
Nippon Credit International (Hong Kong) Limited	Nomura International Limited	
Norddeutsche Landesbank	Den norske Creditbank	Société Générale

This announcement appears as a matter of record only. It does not constitute an offer to sell nor a solicitation of an offer to buy these securities.

U.S. \$200,000,000



BANQUE INDOSUEZ

Floating Rate Notes Due 1997

Banque Indosuez

Shearson Lehman Brothers International

Daiwa Europe Limited

Arab Banking Corporation (ABC)	BankAmerica Capital Markets Group
Bank of Tokyo International Limited	Bankers Trust International Limited
Banque Bruxelles Lambert S.A.	Banque Nationale de Paris
Barclays Merchant Bank Limited	Berliner Handels- und Frankfurter Bank
Caisse des Dépôts et Consignations	Chase Manhattan Capital Markets Group
Commerzbank	County Bank Limited
Enskilda Securities	Credit Suisse First Boston Limited
Goldman Sachs International Corp.	Fuji International Finance Limited
IBJ International Limited	E. F. Hutton International, Inc.
LTCB International Limited	Kidder, Peabody International Limited
Morgan Stanley International	Merrill Lynch Capital Markets
Nippon Credit International (Hong Kong) Limited	The Nikko Securities Co., (Europe) Ltd.
Orion Royal Bank Limited	Nomura International Limited
Swiss Bank Corporation International Limited	Saudi International Bank
Union Bank of Switzerland (Securities)	Tokai International Limited
Yamaichi International (Europe) Limited	Westpac Banking Corporation

This announcement appears as a matter of record only. It does not constitute an offer to sell nor a solicitation of an offer to buy these securities.

U.S. \$450,000,000 Face Amount

(Principal Amount: U.S. \$84,895,200)



American Express Company

and certain of its wholly-owned subsidiaries

Zero Coupon Notes Due 2000

Shearson Lehman Brothers International

Salomon Brothers International Limited

Barclays Merchant Bank Limited	Commerzbank	County Bank Limited
Crédit Lyonnais	Credit Suisse First Boston Limited	Dresdner Bank
Goldman Sachs International Corp.	Lloyds Bank International Limited	
Merrill Lynch Capital Markets	Morgan Stanley International	
The Nikko Securities Co., (Europe) Ltd.	Orion Royal Bank Limited	Société Générale
Swiss Bank Corporation International Limited	Union Bank of Switzerland (Securities)	

This announcement appears as a matter of record only.

May, 1985



Unilever Capital Corporation
Incorporated in the State of Delaware, U.S.A.
as Issuer

U.S. \$1,000,000,000

Note Issuance Facility

with committed availability for up to U.S. \$500,000,000

Arranged by

Bankers Trust International Limited **BankAmerica Capital Markets Group**

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Algemene Bank Nederland N.V. **Amsterdam-Rotterdam Bank N.V.**

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Banca Commerciale Italiana **Bank of Montreal** **Banque Nationale de Paris**

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Bank of America International **Bank of Montreal**

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Shearson Lehman Brothers International **Sumitomo Finance International**

Financial Advisor to the Issuer

Goldman Sachs Limited

Agents

Bank of America International Limited **Bankers Trust International Limited**

INTL. COMPANIES & FINANCE

Toronto stock market dealers shun Cats in favour of human touch

BY BERNARD SIMON IN TORONTO



Terry Kirk

Trading floor of the Toronto Stock Exchange

THE UNCERTAINTY created by replacing men with machines is proving to be the main stumbling block in the Toronto Stock Exchange's efforts to expand its pioneering electronic share trading system.

The TSE is at an advanced stage in talks to supply software for its Computer Assisted Trading System (Cats) to the Paris Bourse, and is lining up potential customers in Australia and several other countries. But on its home base in Canada, the exchange is losing almost as many battles as it wins in its drive towards automation.

Mrs Barbara McAvoy, the exchange's data services director, observes that "floor traders have a strong lobby. Cats people are gaining more expertise and influence, but it's still not equal by any means."

She still predicts that all trades on the TSE will be computerised within the next 10-15 years, but for the time being the exchange's policy is to steer a safe middle course by recognising the existence of two "viable" trading systems and encouraging member firms to use both the floor and Cats. The exchange's move two and a half years ago to a brand new CSEsm (US\$18.4m) trading floor in Toronto's financial district is evidence that the traditional methods of share dealing are likely to remain in use for many more years.

The Cats system, a network of on-line order entry and information retrieval terminals, has chalked up some notable achievements since it was first installed eight years ago. With the exception of Tokyo (where prices are not determined by a true auction system), the Toronto Stock Exchange claims to be the furthest advanced among the world's major bourses in electronic trading. Almost 800 of the 1,400 stocks listed on the TSE can be traded through Cats.

Canadian securities firms have installed 191 Cats terminals, including machines in the London offices of Wood Gundy and Loewen Ondaatje McCutcheon, two leading Toronto investment dealers. To get the system off the ground, the TSE has provided each member firm with one terminal.

The system accepts orders to buy and sell shares and all orders entered in a terminal are regarded as firm trading

commitments. Buy and sell orders are automatically matched and executed, according to the best price and the order in which they are received. The TSE is currently working on a refinement that will guarantee a "fill" of orders up to 599 shares in any one of 28 listed companies.

Toronto also claims that Cats' technical performance has been superior to that of other computerised trading systems. General transmission failures kept Cats out of action for just 59 minutes in 1984, compared to three hours of downtime at the next most reliable system, that of the New York Stock Exchange.

Although more than half the companies listed on the TSE can be traded through Cats, the system accounted for a modest 20.4 per cent of trading volumes last May. The most heavily traded shares—arguably those best suited to a computerised dealing system—remain inaccessible to Cats' users.

Bell Canada Enterprises, Seagram and Canadian Pacific are among the blue-chip Canadian shares which continue

to be traded solely on the floor of the TSE. Most of the 795 shares listed on Cats are inactive. Some stocks have been taken out of Cats and returned to floor traders, while the TSE has turned down requests from a handful of companies to have their shares listed on Cats.

These limits reflect partly an instinctive fear among long-serving expert traders that a rapid expansion of computerised trading will cost them their jobs. As one trader at Dominion Securities Pitfield puts it, "It means only three guys looking after 500 stocks, rather than ten."

There is also a widespread feeling, even among those with some sympathy for Cats, that no computerised system can wholly match the advantages of face-to-face contact on the trading floor.

To pacify concerned floor traders, the Stock Exchange committee has agreed for the time being to retain the status quo for Cats and floor-traded shares. Unless there is a "compelling reason" to change, More widespread use of auto-

mated trading thus depends for the time being largely on the allocation of newly listed issues to the Cats system. A selection committee set up two years ago makes the decision. Of about 100 new issues listed on the TSE last year, only 15 were given to Cats, but the system's proponents were given a boost last month when the Calgary-based oil company Canterra, one of the newcomers on Cats, was the TSE's most heavily traded share on its first day of listing.

There are some signs that computerised trading is making more progress than the almost stagnant number of companies listed on Cats suggests. The number of approved Cats traders has doubled to 400 in the past three years. About half of them have come from the floor.

Refinements to the system's technical capabilities and a proposed study by the TSE showing that Cats cuts costs are expected to bring more support. It is difficult, however, to find many TSE members sharing Mrs McAvoy's confidence that TSE trading will be entirely computer-based by the end of the century.

50 YEARS



KREDIETBANK

Basic profitability reinforced further

In February 1985, the Kredietbank celebrated its 50th anniversary with an official function held at Antwerp in the gracious presence of H.M. King Baldwin and attended by numerous prominent figures from government, economic, social and financial circles. Also, Professor Herman Van der Wee and his wife, Madame Monique Verbeke, wrote a study of the bank's history under the title "People make history. The Kredietbank and the economic rise of Flanders, 1935-1985".

A policy of selective growth led to the further reinforcement of basic profitability and a satisfactory growth (+19.7%) of net profit. In accordance with the new company law, the authorized capital was increased to BEF 10 billion. The number of staff rose by 202, so that, with over 9,000 employees, the bank is now one of the biggest employers in Flanders and

Brussels. During the past two years, the KB accounted for over 2/5 of the growth of employment in the Belgian banking sector. Further, over the past financial year, the bank invested BEF 1.3 billion in office automation equipment.

The Kredietbank's international expansion continued with the opening of a branch of its own in London, its fourth overseas branch besides New York, Bahrain and Los Angeles. During the past financial year, moreover, a 1/3 stake (of HKD 25 million) was taken in KB International (Hong Kong) Ltd.

The KB International Group was yet again the leading ECU issue house in 1984. In addition, the KB is the world's leading ECU clearing bank, carrying out an average ECU 4 billion worth of transactions per day.

Some key figures from the balance sheet as at 31 March

(in millions of Belgian francs)	1985	1984	1980	1975
Stockholders' equity and subordinated loans	26,525	22,510	14,826	7,476
Working funds	765,706	670,711	391,834	185,929
Credit to the				
• private sector (all forms of credit)	311,053	297,053	201,519	90,681
• public sector	267,541	256,355	135,141	70,766
Net profit for the financial year	2,289	1,912	1,735	950
Balance sheet total	834,096	729,710	429,880	207,138
Net dividend (BEF)	414(*)	387	355	245
Number of staff	9,002	8,800	8,433	8,035
Number of branches	759	759	739	694

(*) To the ordinary shares. The AFV (fiscal benefit) shares created by decision of the General Meeting of Shareholders of November 1983 and which participated for one third in the profits of 1984, receive this year a net dividend of BEF 727.08.

Head Office:
Arenbergstraat 7, B-1000 Brussels (Belgium)

Branches:
In Belgium: 759 branches
Abroad: New York, Los Angeles, Bahrain, London

Subsidiaries:
In Belgium: Crédit Général S.A. de Banque - Hypotheek- en Spaarwettenschap van Antwerpen - Bernab N.V. - Aleka N.V.

Abroad: Irish Intercontinental Bank Ltd. - IIB (Finance) Ltd. - Bankverein Bremen AG - S.A. Gestion KB Income Fund - S.A. Gestion KB Capital Fund - Eurinvest S.A. Holding - KB Internationale Financieringsmaatschappij - Van der Hoop Offers N.V. (since 31 May 1985).

Associated banks abroad:
Kredietbank S.A. Luxembourg - Kredietbank (Suisse) S.A.

Representative offices:
In the U.S.A. (2), Australia, South Africa, Mexico, Japan, Brazil, Iran, Hong Kong and Spain

Member of the Inter-Alpha Group of Banks

A copy of the fiftieth KB annual report (1984-1985) can be obtained from: **KREDIETBANK Public Relations**, Grote Markt 19, 1000 Brussels.



U.S. \$100,000,000

Allied Irish Banks plc

(Incorporated in the Republic of Ireland with limited liability)

Subordinated Primary Capital Perpetual Floating Rate Notes

The following have agreed to subscribe, or procure subscribers, for the Notes:

Salomon Brothers International Limited

Allied Irish Investment Bank plc

Crédit Commercial de France

Girozentrale und Bank der österreichischen Sparkassen

Mitsui Finance International Limited

Toyo Trust International Limited

Yasuda Trust Europe Limited

Commerzbank Aktiengesellschaft

Dai-ichi Kangyo International Limited

Hambros Bank Limited

Mitsui Trust Bank (Europe) S.A.

Westpac Banking Corporation

Application has been made to the Council of The Stock Exchange for the Notes, issued at a price of 100 per cent., to be admitted to the Official List.

Interest on the Notes is payable three monthly in arrears, the first such payment is expected to be made in October 1985. The rate of interest payable from time to time in respect of the Notes will be calculated in the manner set out in the Listing Particulars but shall, in any event, during the period between the date of issue and the interest period ending in July 1997, be subject to a maximum of 13 per cent. per annum. There shall be no minimum rate of interest.

Listing Particulars relating to Allied Irish Banks plc and the Notes will be available in the Extel Statistical Service. Copies of the Listing Particulars relating to the Notes and the Annual Report of the Bank for the year ended 31 March, 1985 may be obtained during usual business hours up to and including 8 July, 1985 from the Company Announcements Office, The Stock Exchange, and up to and including 19 July, 1985 from the following:

Allied Irish Banks plc
Bankcentre
Bellebridge
Dublin 4

The Chase Manhattan Bank, N.A.
Woolgate House
Coleman Street
London EC2P 2HD

Pannure Gordon & Co.
9 Moorfields Highwalk
London EC2Y 9DS

5 July, 1985



FINANCIAL TIMES
EUROPEAN TOP 500 COMPANIES
SURVEY

For the third year running, Europe's biggest publicly quoted companies are ranked in the FT 500. This year will be the first occasion that addresses, telephone and telex numbers will be listed at the back of the reprinted version, price £10. Cheques should be made payable to the Financial Times and sent to:

Nicola Barnham, Publishing Department,
Financial Times,
Bracken House,
10 Cannon Street,
London EC4A 3DF

INTL. COMPANIES & FINANCE

RUSH TO FORM INVESTMENT CONSULTANCIES

Wider role for Japan city banks

BY YOKO SHIBATA IN TOKYO

JAPANESE commercial banks have been flocking in recent months to establish investment advisory offshoots, in an attempt at gaining eventual access to the country's lucrative pension fund market, from which they are currently excluded.

This follows a decision in March by the Ministry of Finance (MoF) to allow these "city" banks as well as life insurance companies to set up investment consultancies, either individually or through joint ventures with domestic or foreign institutions. They will be allowed to advise on portfolio management and produce investment publications.

The new arrivals clearly hope, however, that the ventures will serve as stepping stones to a fully fledged trust business if the MoF at some point goes on to widen further the ranks of those allowed to manage corporate pension funds.

Japanese pension funds are growing rapidly: assets were estimated to have reached ¥14,000bn (\$84.4bn) by March and are generally expected to quadruple over the next 10 years.

Until last month the market was the exclusive preserve of the country's seven trust banks as well as 21 life insurance companies. Nine leading foreign banks have now been licensed to seek business in the sector.

The MoF has already approved applications for investment advisory ventures from four Japanese city banks—Fujitsu, Sanwa, and Bank of Tokyo—and more are awaiting clearance. The life insurers

have joined the queue too, anxious not to see their existing fund management business eroded.

The securities industry, which is also angling for entry to the pension fund business, has within it 17 investment consulting subsidiaries. These are currently stepping up their overseas operations, partly in order to accumulate expertise in international fund management.

Of the first four banks which received MoF clearance, Sanwa and Mitsui plan to establish wholly-owned investment

which has investment assets of some ¥10,700bn, will take a 50 per cent stake in the new company along with an associate. Bank of Tokyo will have 30 per cent while Daiwa will absorb the remainder.

Sumitomo Bank and Mitsubishi Bank are planning to tie up with foreign financial institutions. Such an arrangement has already been secured between Long-Term Credit Bank of Japan and Baring Brothers, the UK merchant bank.

Life insurance companies can put to use their expertise in the

some order and security to what is currently a virtual free-for-all. Apart from regulations defining the scope of their own business which until March constrained the city banks and life offices, no law currently exists to govern investment advice operations.

Some 800 such companies exist in Japan, and allegations have become increasingly widespread that misappropriation of funds is endemic. Toshi Journal, which was declared bankrupt last August, is suspected of having been used as a vehicle for defrauding about 10,000 small investors of a total approaching ¥80bn.

Its chairman has sought police protection following the murder last month of Mr Kazuo Nagai, the president of Toyota Shoji, where a gold bar investment scheme is alleged to have defrauded 20,000 depositors of ¥200bn.

These two affairs have given rise to calls from those consultancies attached to the major brokerage houses demanding legislation to control the industry. This is now being drafted by the MoF.

Mr Shogo Watanabe, chairman of the Securities Business Association, said: "We hope the law will wipe out unscrupulous investment advisory companies."

The proposed legislation would require companies operating in the sector to register with the MoF. Registrations would be withdrawn for those who made exaggerated claims or engaged in dishonest operations.

DAIWA SECURITIES is to become the first Japanese brokerage house to set up a management business in the U.S. through the establishment of a trust company offshoot, our Financial Staff writes.

The company is planned to evolve in October from Daiwa International Capital Management, its existing investment advisory service. It will be

based in New Jersey and seek the business of U.S. pension funds. An initial \$220m is already under management, a sum said by Daiwa to be the largest entrusted to a Japanese company in the U.S.

The move is in the opposite direction to those made this year by American and European institutions into Japanese pensions business.

advisory subsidiaries. Fuji is to share its business with its affiliates in the Fuyo industrial group and with 19 regional banks while Tokai will shortly launch Central Investment Advisory Company jointly with 12 group companies and 20 regional banks.

Among the most powerful in the field will be that launched by Nippon Life Insurance and Bank of Tokyo, which will also incorporate Daiwa Securities as an equity partner. Nippon Life,

management of medium- and long-term funds as well as skills in property investment. In addition to Nippon Life, the Sumitomo, Meiji and Asahi insurance houses are due to set up investment consultancies this month.

Being its reputation for being highly protective, the MoF has been keen to draw banks and life insurance companies into the investment advisory business.

This is aimed at bringing

Offer by Australian Pru

BY LACHLAN DRUMMOND IN SYDNEY

PRUDENTIAL Assurance in Australia has launched an A\$46.6m (U.S.\$31.2m) bid for Network Finance, a property lending and development group in which it already holds a 20 per cent stake.

Network's directors have advised shareholders not to sell while Hooker Corporation, its 32 per cent shareholder, has said it views its holding as a long-term investment and that it will not sell at the bid price of A\$3.15 a share.

The other major shareholder, with 28 per cent, is Mellon

National Bank of the U.S.

The bid from the Pru requires approval of the country's Foreign Investment Review Board, but the Pru will be on behalf of Australian policyholders' funds, it should not be counted as foreign. Australian The Pru, with funds totalling A\$1.1bn, ranks as the fifth largest life company in Australia.

Network had total assets at last December of A\$117m and earned net profits of A\$3.4m for its year to June 1984.

Myer secure against bid

BY OUR SYDNEY CORRESPONDENT

MYER EMPORIUM, the Australian retail group, has been secured against potential unfriendly takeover moves with the emergence of Westfield Holdings, as the owner of a 10.6 per cent stake after an A\$77m (U.S.\$51.5m) market buying exercise.

The protective move from Westfield, a property group which counts the Myer retailing empire as its main tenant, caps an eventful month of share market action which has seen

FAI Insurance boost its Myer stake from around 5 per cent to 9 per cent, fuelling takeover speculation.

Along with Myer family interests and shares held by directors, the Westfield purchase takes the friendly block of shareholdings to around 50 per cent.

Recent buying has pushed Myer's share price up from around A\$2 to the peak A\$2.75 per share paid yesterday, which valued the group at almost A\$800m.

DAIWA EUROPE LIMITED

JAPANESE EQUITY WARRANTS SERVICE

ISSUER—Warrant	Warrant	Warrant	Warrant	Warrant	Warrant
expiry date	expiry date	expiry date	expiry date	expiry date	expiry date
CASIO 5/3/85	10.00	10.00	10.00	10.00	10.00
CITICORP 4/5/85	25.00	25.00	25.00	25.00	25.00
CITICORP 20/1/87	45.00	45.00	45.00	45.00	45.00
FUJIKURA CABLE 28/4/85	8.50	8.50	8.50	8.50	8.50
HANAZAMA GUMI 1/11/85	7.00	7.00	7.00	7.00	7.00
I S S 28/4/85	7.00	7.00	7.00	7.00	7.00
JUSCO 22/12/85	74.00	74.00	74.00	74.00	74.00
KAYABA 15/2/85	15.00	15.00	15.00	15.00	15.00
KUMORI PRINT 20/12/85	18.00	18.00	18.00	18.00	18.00
MARUZEN 12/2/85	10.00	10.00	10.00	10.00	10.00
MINIEMEA 20/2/85	35.00	35.00	35.00	35.00	35.00
MIT CHEM 20/1/87	81.00	81.00	81.00	81.00	81.00
MIT CORP 7/1/85	32.00	32.00	32.00	32.00	32.00
MIT GAS 20/2/85	22.00	22.00	22.00	22.00	22.00
MITSU E/S 15/10/85	10.00	10.00	10.00	10.00	10.00
MITSU E/S 10/12/85	28.00	28.00	28.00	28.00	28.00
MIT METAL 10/2/85	80.00	80.00	80.00	80.00	80.00
MIT METAL 10/1/85	11.00	11.00	11.00	11.00	11.00
MITSU E/S 15/10/85	26.50	26.50	26.50	26.50	26.50
MITSU E/S 10/12/85	89.00	89.00	89.00	89.00	89.00
NIPPON MIN 17/3/85	10.00	10.00	10.00	10.00	10.00
NIPPON MIN 15/2/85	26.50	26.50	26.50	26.50	26.50
NISSHO IWA 1/2/85	12.50	12.50	12.50	12.50	12.50
NOMURA 31/10/85	89.50	89.50	89.50	89.50	89.50
ONODA CEMENT 10/4/85	45.00	45.00	45.00	45.00	45.00
ONODA CEMENT 28/2/85	14.50	14.50	14.50	14.50	14.50
OPTEC DAHICHI 22/2/85	17.00	17.00	17.00	17.00	17.00
OSAKA TRANSFORMER 29/1/85	11.50	11.50	11.50	11.50	11.50
RENDOWN 24/1/85	10.00	10.00	10.00	10.00	10.00
RYOBI LTD 25/5/85	11.50	11.50	11.50	11.50	11.50
SEINO TRANSPORT 17/1/85	8.50	8.50	8.50	8.50	8.50
SEIYU CORP 20/3/87	54.00	54.00	54.00	54.00	54.00
SONY CORP 25/1/85	19.50	19.50	19.50	19.50	19.50
SUMI CONSTRUCTION 24/3/85	42.00	42.00	42.00	42.00	42.00
SUMI HEAVY 24/2/85	12.00	12.00	12.00	12.00	12.00
SUMI REALTY 21/1/85	61.50	61.50	61.50	61.50	61.50
TOKYO ELECTRIC 14/2/85	6.50	6.50	6.50	6.50	6.50
TOKYO SANYO 5/6/87	148.00	148.00	148.00	148.00	148.00
TOKYU CORP 29/1/85	40.50	40.50	40.50	40.50	40.50
TOKYU DEPT 20/1/85	17.00	17.00	17.00	17.00	17.00
TORAY 5/3/87	15.50	15.50	15.50	15.50	15.50
TOYO ENG 28/2/85	54.00	54.00	54.00	54.00	54.00
YAMAMURA GLASS 5/5/85	11.00	11.00	11.00	11.00	11.00
YAMATO KOGYO 29/1/85	7.50	7.50	7.50	7.50	7.50

Further information from: Freddy Glock, Simon Gamble or Beverly Kelly on 01-248 9090 Daiwa Europe Limited, 14 St Paul's Churchyard, London EC4M 8BD

This announcement appears as a matter of record only



TRANSPORTES AEREOS PORTUGUESES E.P.

US \$22,500,000

Equivalent Loan Facility

Lead-Managed by

BANCO PINTO & SOTTO MAYOR

CHEMICAL BANK INTERNATIONAL GROUP

GENERALE BANK/BANQUE BELGE LIMITED

THE TAIYO KOBE BANK, LIMITED

Managed by

BANQUE INTERNATIONALE A LUXEMBOURG S.A.

BANQUE NMB-INTERUNION

Provided by

BANCO PINTO & SOTTO MAYOR, MACAU BRANCH

CHEMICAL BANK

GENERALE BANK S.A./N.V.

THE TAIYO KOBE BANK, LIMITED

BANQUE INTERNATIONALE A LUXEMBOURG S.A.

BANQUE NMB-INTERUNION

CREDIT GENERAL S.A. DE BANQUE

NIPPON EUROPEAN BANK S.A.-LTCB GROUP

Agent

CHEMICAL BANK

June 1985

The announcement appears as a matter of record only.



ÖSTERREICHISCHE VOLKSBANKEN-AKTIENGESELLSCHAFT

U.S. \$50,000,000

FLOATING RATE SUBORDINATED NOTES DUE 1995

NOTICE OF REDEMPTION TO THE HOLDERS OF

ECU 40,000,000

THE INDUSTRIAL BANK OF JAPAN FINANCE COMPANY N.V.
11 1/2 % GUARANTEED BONDS DUE 1993

NOTICE IS HEREBY GIVEN that pursuant to paragraph 6(b) of the Terms and Conditions of the above Bonds in conformity with the Fiscal Agency Agreement dated as of 9th August 1985, ECU 4,500,000 in principal amount of the above Bonds will be redeemed on 9th August, 1985, at par (the redemption price) together with accrued interest thereon to said redemption date.

The drawing has taken place on 19th June, 1985, in Luxembourg.

Serial numbers of the Bonds to be redeemed are set forth below on groups from one number to another number, both inclusive:

00180-00279	00952-01151	01169-01268	02404-02503
03214-03313	03756-03855	04392-04491	05858-06057
07501-07600	08070-08169	08351-08450	10324-10423
10890-10989	11346-11445	12901-13000	13365-13464
13527-13626	13725-13824	14786-14885	16236-16335
18206-18305	18627-18726	19108-19207	19443-19542
20466-20565	21692-21791	22048-22147	25039-25138
26658-26757	27033-27132	27544-27643	28136-28235
29484-29583	31880-32079	34307-34406	34615-34714
35281-35380	36027-36126	36961-37060	38515-38614

Amount outstanding after 9th August, 1985: ECU 35,500,000.-

Interest on the Bonds to be redeemed will cease to accrue on the redemption date. On such date the redemption price will become due and payable on each of said Bonds and payment therefor together with accrued interest will be made at any one of the following paying agents: the office of Société Générale Alsacienne de Banque, Brussels branch, the office of Société Générale, London branch, the office of Credit Suisse, Zurich and the office of Société Générale, Paris upon presentation and surrender of said Bonds with all coupons attached maturing after said redemption date. In the event that any such coupon is not so attached, the amount of said coupon will be deducted from the redemption price.

Coupons which shall mature on, or shall have matured prior to, said redemption date should be detached and surrendered for payment in usual manner.

THE INDUSTRIAL BANK OF JAPAN / FINANCE COMPANY N.V.

BY SOCIETE GENERALE ALSACIENNE DE BANQUE

15, AVENUE EMILE REUTER, LUXEMBOURG

THE PRINCIPAL PAYING AGENT

CENTRAL BANK OF NIGERIA
FLOATING RATE
NOTES DUE 1986/90 TO BE
ISSUED IN RESPECT OF
OUTSTANDING TRADE DEBT

In accordance with the Terms and Conditions of the Notes, notice is hereby given that in respect of the Interest Period from July 5 to October 7, 1985, the Rate of Interest has been determined at 8 1/2% per annum.

London, July 5, 1985
THE CHASE MANHATTAN BANK N.A.
TRADING AGENT

CHASE MANHATTAN CAPITAL MARKETS GROUP

ARAB BANKING CORPORATION (ABC)

CREDIT COMMERCIAL DE FRANCE

DAI-ICHI KANGYO INTERNATIONAL LIMITED

MERRILL LYNCH CAPITAL MARKETS

SAMUEL MONTAGU & CO. LIMITED

NOMURA INTERNATIONAL LIMITED

ORION ROYAL BANK LIMITED

OKOBANK/OSUUSPANKKIEN KESKUSPANKKI OY

SAUDI INTERNATIONAL BANK

SUMITOMO FINANCE INTERNATIONAL

SVENSKA HANDELSBANKEN GROUP

WESTPAC BANKING CORPORATION

ALLIED IRISH BANKS LIMITED
U.S.\$50,000,000
Floating Rate Notes due 1987

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the next 6 months' Interest Period has been fixed at 8 1/2 per cent per annum. The Coupon Amounts will be US\$42.17 for the US\$1,000 denomination and US\$2,108.33 for the US\$50,000 denomination and will be payable on 8th January 1986 against surrender of Coupon No. 12.

5th July 1985
Manufacturers Hanover Limited
Agent Bank

JULY 1985

UK COMPANY NEWS

Ladbroke ventures into the U.S. hotel market

Ladbroke Group is continuing its expansion in the hotel field, this time in the U.S., with the \$13m (£10m) cash acquisition of Rodeway Inns International, a franchise organisation based in Dallas.

Rodeway has 138 hotel franchises in the U.S., Mexico and Canada and directly manages six other hotels. Ladbroke already owns 60 hotels in the UK and Europe. The combined total puts the group firmly among the country's top 20 hotel chains although far short of the likes of Holiday Inns, Sheraton and Trusthouse Forte.

The \$13m, which is "subject to adjustments," will be paid in two slices, \$6m immediately and \$7m deferred over three years without interest. The vendor, a private individual, will also receive payments equal to 12.5 per cent of adjusted profits on present activities over the next five years.

In recent years Ladbroke has added to its basic chain with the purchase of Mercury Motors (Leisure and General), Myddleton Hotels and, most recently, Comfort Hotels.

The Rodeway properties are generally popular family/middle executive business properties on Holiday Inn and Howard Johnson lines, and are similar in style to the group's Comfort properties. Ladbroke said last night, however, there were no plans for name changes.

Ladbroke had made the purchase because "Rodeway is a strategic purchase taking us, at



Mr Cyril Stein, chairman

low cost and little risk, into the U.S. which accounts for as much as 24 per cent of the world's lodging market," according to Mr John Jarvis.

He said Ladbroke would expand the franchise network rapidly and also add to the number of management contracts. The Rodeway reservations system in Omaha would be a considerable asset in marketing Ladbroke's European properties. A Ladbroke Hotels director, Mr John Wilson, will go to the Rodeway headquarters in Dallas, Texas, as chief executive.

BOARD MEETINGS

The following companies have notified dates of board meetings are usually held for the purpose of considering dividends. Official notices are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

Finals—Bridgson Processes, Jack-

sons Bourne End, Thom EMI, Futura Dares

Interims—Denmans Electrical July 15

Imperial Chemical Industries July 25

Finals—Casket (S.) Sept. 25

Hambro Trust Aug. 6

Macallan in £6m rights issue

BY STEFAN WAGSTYL

WHISKY DISTILLER Macallan Glenlivet is asking shareholders for £6m with a rights issue of convertible unsecured loan stock to help the company lay down bigger stocks of whisky.

The group needs the money because it is increasing sales of its single malt "The Macallan," which needs to be kept to mature for anything up to 18 years.

In common with other malt whisky distillers, Macallan is looking to old malt whisky sales to compensate for a decline in demand for young whisky from the large blending companies.

The company forecasts reduced profits for 1985 of £550,000 pre-tax, against £760,000 last year. Profits are expected to fall because while bottled malt profits are rising, and those from new filling (young whisky) are static, there will be no contribution from sales of mature whisky to the blenders. The company is holding on to its stocks because prices are poor.

Moreover, interest charges have risen because bank borrowings have funded the company's higher whisky stocks. The rights issue is expected to wipe out these debts totalling some £5.8m. The group is forecasting an interim dividend of 1p and a final payout of 2.34p, making a total of 3.34p (2.8p).

The group says that the market for malt whisky (which is about 2 per cent of total world sales of whisky) has grown at a

compound rate of 10 per cent a year for the last decade. It is the market where the highest profit margins are achieved.

The Macallan, which sells for about £15 a bottle, will continue to increase its share of the top end of the malt market, says the board.

Apart from costs of holding stock, the company has to buy expensive sherry-wood casks and pay for heavy promotional and advertising campaigns.

The £2.25 per cent convertible unsecured loan stock 2005 is offered on the basis of £1 for every ordinary share. The stock may be converted between 1988 and 2004 at a price of 350p per share. Macallan shares closed unchanged yesterday at 335p.

The tankers sold were the London Enterprise, which LOFs has been trying to sell for some time, and the London Glory, both of 139,000 deadweight tons. The book value for £13.4m.

LOFs said last month it was talking with banks on a possible restructuring of its finances. It raised £8.6m through a rights issue last year.

The annual meeting next Wednesday will consider if measures are needed "to deal with the situation that has arisen by reason of the fall in the net assets of the company to half or less of the amount of the company's called-up share capital."

Bristol Oil in red as accounts are qualified

By Stefan Wagstyl

Bristol Oil and Minerals, the troubled oil finance house formerly known as KCA International, has had its accounts for 1984 qualified by its auditors, Price Waterhouse.

A previously reported un-audited attributable profit of £3.2m has been turned into a loss of £3.8m following write-downs and provisions totalling £7m—the group is in the throes of a programme of asset sales designed to reduce borrowings.

Mr Paul Bristol, the chairman and chief executive, said that Price Waterhouse had qualified the accounts, by saying that they had been prepared on the basis that the bankers would continue to give their support and that certain asset sales would be completed.

The group's net debts were about £12m against shareholders' funds of £15.6m, said Mr Bristol. And the company had the financial



Mr Paul Bristol, chairman... denies disagreement with the auditors

resources to fund continuing activities, which were developing oil and gas interests in Indonesia, the U.S. and the North Sea.

He denied that there had been any disagreement between the company and its auditor.

As restated, the company's loss before extraordinary items was £6.1m, against a £2.5m loss for 1983, on turnover of £13.1m (£17.6m). After a £2.3m extraordinary profit (£1.3m loss), the attributable loss was £3.8m (£2.4m loss).

The list of write downs and provisions includes a £2.8m write-off in full of oil exploration costs in Dubai, £1.5m on a barite mill in China, £1.25m on a U.S. oil rig and \$0.7m on interests in the Dutch North Sea.

Following the sale in 1983 of KCA Drilling Group, Bristol, has concentrated its resources on oil exploration and production, particularly in Indonesia.

It is now trying to sell companies in the BW Mud group, and its financial services company, Mondul Holdings, which owns 50 per cent of a H. Pitman, a Lloyd's insurance broker.

The shares closed yesterday at 22p, down 1p. The company says its net asset value at the year end was 32p a share.

Common Bros. reconstruction

Common Brothers, the troubled shipping group, has agreed in principle a financial reconstruction which converts approximately £19m of debt into equity.

Dealing in the company's shares were suspended at 5p on June 5 when the reconstruction discussions were announced. That compared with a price of 11p last November before it revealed a £17m write-off on a drilling ship which helped push it into a loss of £20.1m in the year ending June 1984 against a previous profit of £2.2m.

Other details of the reconstruction include: The group's principal lenders will provide additional working capital up to £800,000; the majority of guarantees and counter-indemnities by Common Brothers will be released; Norex will transfer its remaining 20 per cent interest in Iro Frig to Common Brothers for £1 and will convert £10.7m of its loans—totalling £12.7m—into equity.

The number of ordinary shares has been increased from 6m to 60m. Four banks—including the Midland and Mambro—will take a 40 per cent stake in the increased share capital and the Norex Corporation, which held about 50 per cent of the existing shares, will continue to hold just over 50 per cent.

In addition, charter obligations on three ships—which have been costing the company £2m a year—have been cancelled.

The reconstruction will allow the group to continue operating its main businesses—principally the Bahamas Cruise Line and the Iro Frig drill ship.

Mr Simon Hume-Kendall, a director of the Newcastle upon Tyne-based company, said: "This is a new day. The company is now on a much more solid basis."

He added that the Iro Frig has not found work but remained hopeful of an imminent contract. The shareholders are expected to approve the deal at the end of the month.

The Norex Corporation is a Bermuda-based company controlled by trusts owned by Mr

Kristian Siem. The Common family owned about 10 per cent of the previous share structure.

London and Overseas Freighters, which said last month it was taking to banks about £20m, has sold two ships for \$8.4m (£6.4m) to help cut its debts of more than \$80m. This leaves it with three tankers.

The tankers sold were the London Enterprise, which LOFs has been trying to sell for some time, and the London Glory, both of 139,000 deadweight tons. The book value for £13.4m.

LOFs said last month it was talking with banks on a possible restructuring of its finances. It raised £8.6m through a rights issue last year.

The annual meeting next Wednesday will consider if measures are needed "to deal with the situation that has arisen by reason of the fall in the net assets of the company to half or less of the amount of the company's called-up share capital."

THE to launch Little Chef hotel chain

Trusthouse Forte is to launch a new hotel chain in Britain under the name Little Chef Lodge. Basic budget accommodation will be built beside present Little Chef restaurants offering rooms at £19.50 single and £24.50 double a night.

The first of the new properties will open at Barton-under-Needwood in Staffordshire in the autumn. By the end of next year THE hopes to have six lodges in operation. It has 200 Little Chef roadside restaurants.

According to Mr Rocco Forte, chief executive of THE, "there is a definite need to care for the overnight traveller for whom cost is the primary consideration."

Each Lodge will have 20-40 rooms, with private facilities, heating, one double bed and one single bed, colour television and coffee/tea making facilities.

Ward White takes 12.4% Maynards stake for £2m

BY ANDREW ARENDS

Ward White, the Northamptonshire-based shoe retailer, announced yesterday that it has over the past few weeks, built up a 12.4 per cent stake, via a subsidiary, in Maynards, the confectionery manufacturer and toy retailer at a cost of around £2m.

Ward White said yesterday that the purchase of 675,000 Maynards shares merely represented an investment in an interesting company. "At the moment we have no plans to launch a full bid," the company added.

However, on news of the Ward White stake Maynards shares rose 10p to 350p valuing the group at around £19m while Ward White shares remained unchanged at 285p.

In 1984 Maynards successfully fought off a £6.3m partial takeover bid from Mr Lewis Cartier,

Since then the group has been in the process of reorganising its activities. It has shed its confectionery, tobacco and newsagent shops as well as closing a confectionery manufacturing plant in Sussex.

In the latest financial statement the company reported pre-tax profits of £1.53m for the six months to February, on turnover of £24m.

In April Ward White reported pre-tax profits of £1.43m for the year ended January 31, a 63 per cent increase on the previous year's figures. Turnover was £24.6m.

In March, Ward White dropped its 297m offer for Foster Brothers Clothing in the face of a £115m agreed offer from Sears Holdings, one of Britain's largest retailers.

Reinsurance

The Financial Times proposes to publish a survey on the above subject on Monday 9th September 1985

For details of advertising rates please contact:

Nigel Pullman
Financial Times, Bracken House
10 Cannon Street, London EC4A 3DF
Publication date is subject to change at the discretion of the Editor
Tel: 01-243 8000, Extn. 4062



Greene, King & Sons, plc
BREWERS, BURY ST. EDMUNDS

'ENCOURAGING PROFIT PERFORMANCE, INCREASED DIVIDEND AND CONFIDENCE IN THE PROSPECTS FOR OUR BUSINESS'

reports Mr. John Bridge, the Chairman

	52 wks to 28.4.85	52 wks to 28.4.84	Change
Turnover	80,229	74,221	+8%
Profit before tax	9,654	8,756	+10%
Earnings per share	14.3p	12.6p	+13%
Dividend per share (net)	4.87p	4.35p	+12%

Copies of the 1984/85 Annual Report will be available from the Company Secretary on 22nd July, 1985.

Greene, King & Sons, plc
Westgate Brewery, Bury St. Edmunds, Suffolk IP38 1QT



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ON MONDAY 16TH SEPTEMBER

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For further information please write to or telephone

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Financial Times, Bracken House,
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Tel: 01-248 8000 Ext. 3238/3447 Telex: 885033

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange

OLDHAM METROPOLITAN BOROUGH COUNCIL

Placing of

£7,000,000

OLDHAM METROPOLITAN BOROUGH COUNCIL 12.40 per cent Redeemable Stock 2022

(Authorised by the provisions of the Local Government Act 1972 and the Local Authority (Stocks and Bonds) Regulations 1974)

Issue Price £100 per cent

Application has been made to the Council of The Stock Exchange for the above Stock to be admitted to the Official List.

In accordance with the requirements of the Council of The Stock Exchange £700,000 nominal of the Stock will be available to the public in the Market on the date of publication of this advertisement.

Particulars of the Stock are available in the Exel Statistical Services and copies of the particulars may be obtained during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including 19th July 1985 from:-

James Capel & Co.
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Guinness Mahon & Co. Limited
32 St. Mary at Hill
London EC3P 3AJ

Marshall Saturn (Brokers) Limited
52 Cannon Street
London EC4N 6LU
(advisers to Oldham Metropolitan Borough Council)

Copies are also available from the Company Announcements Office, The Stock Exchange, London EC2P 2BT up to and including 9th July 1985.

5th July 1985

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corr. for dividend	Total for year	Total last year
Bertram Hides	1.25	Aug 21	0.88	1.25	10.88
Dacian Holdings	8	Sept 5	9.63	13	12.5
Equity Consort	7.7	—	7.15	11.2	10.33
Greene King	3.33	—	2.92	4.67	4.35
Norbanat	1.2	—	0.72	1.33	1.77
Alex Russell	0.84	—	5.7	11	7.7
Scottish and Mercantile	10.5	—	0.75	11	0.75
Zygal Dynamics	nil	—	—	—	—

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issues. † On capital increased by rights and/or acquisition issues. ‡ USM stock. † For nine months.

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Deputy Chairman, Barclays Bank PLC
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Chairman, J Rothschild Holdings plc
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Name _____

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Type of Company _____

NOTICE TO LOMBARD DEPOSITORS

Rate for deposits up to 14 days	Rate for deposits up to 1 month	Gross equivalent to a bank rate last year
12.25% pa	9.25% pa	13.21% pa
Cheque Savings Accounts		
11.75% pa	8.87% pa	12.68% pa
9.75% pa	7.38% pa	10.54% pa

Interest is credited on each published rate change, but not less than half yearly.

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8 Lovat Lane London EC3R 8DT Telephone 01-421 1212

Over-the-Counter Market

High	Low	Company	Price	Change	Gross Yield	P/E	Fully
146	123	Ass. Brit. Ind. Ord.	135	—	6.8	4.6	7.5
151	125	Ass. Brit. Ind. CULS.	138	—	10.0	7.2	8.9
77	45	Airbus Group	45.50	—	8.4	14.2	7.5
42	26	Armstrong and Rhodes	37	—	2.9	7.8	4.6
108	10	Bardon Hill	153.00	—	4.0	2.6	10.4
84	45	Bray Technologies	64	—	3.9	8.1	7.8
201	181	CCL Ordinary	182	—	12.0	7.4	4.0
152	105	GLI plc Conv. Pref.	105	—	15.7	14.9	—
128	10	Carborundum Ord.	128	—	10.7	3.8	6.3
88	83	Carborundum 7.5pc Pl.	84	—	5.5	14.1	4.4
12	35	Debonair Services	45.0	—	1.4	0.3	11.8
450	182	Frank Hovell Pr. Ord.	27	—	11.9	2.2	9.8
385	170	Frederick Parker	27	—	11.9	2.2	9.8
64	33	George Blair	27	—	11.9	2.2	9.8
80	20	Ind. Precision Castings	20	—	2.7	12.5	4.3
218	177	Isac Group	180	—	15.0	8.3	7.1
124	101	Jackson	107	—	3.5	5.1	7.2
288	213	James Burrough	228	—	12.9	14.5	—
82	33	John Howard and Co	82	—	1.4	0.3	11.8
25	71	John Burrough SpcPl	89	—	1.4	0.3	11.8
225	100	Lingaphone Ord.	216	—	5.0	5.4	7.3
100	32	Lingaphone 10.5pc Pl.	82	—	15.0	16.3	—
680	300	Minihouse Holdings NW	628	—	0.8	1.1	26.6
120	31	Robert Jenkin	68	—	5.0	6.7	3.8
60	38	Seafarms "A"	59	—	4.3	1.3	18.5
52	61	Torrey and Carline	75	—	1.3	4.3	14.6
444	325	Trevian Holdings	325	—	7.5	7.4	7.7
30	17	Unicash Holdings	30	—	17.7	7.8	8.3
104	81	Walker Alexander	102	—	17.7	7.8	8.3
247	218	W. S. Yeates	221	—	17.7	7.8	8.3

Prices and details of services now available on Prestel, page 48108

UK COMPANY NEWS

Greene King improves to £9.65m

SECOND HALF pre-tax profits of Greene King & Sons, brewer, increased from £5.32m to £5.97m and lifted the year end figure to £9.65m, compared with £8.76m last time.

Group turnover for the 12 months to April 28 1985 advanced from £74.22m to £80.23m, the first six months showing a rise from £36.82m to £38.71m.

After a tax charge, up from £3.54m to £3.72m, earnings per 25p share are shown as 14.5p,



compared with 12.6p, while the total dividend is lifted to 4.87p (4.58p) with a final distribution of 3.58p (2.82p).

Last December the directors said that the group had continued its steady growth during the first half and that although trading conditions remained

competitive, they were confident they would be able to report a profit growth for the year.

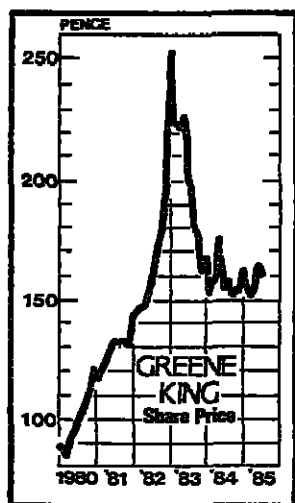
They now say that the start of the current year has been encouraging and that the company remains confident of the prospects for the business.

The directors state that although the company has taken steps to cut costs, "its attitude is forward looking in expanding interests by increasing investment."

The company, they say, has taken opportunities to purchase and build new pubs and to keep plant up to date. This commitment has resulted in capital expenditure of £8.7m which has come entirely from cash flow.

The company has so far authorised capital expenditure of £5.9m in the current year, £3.2m of which will be directed at improving and expanding, the directors explain.

They say that wholesaling and retailing of beer will remain the mainstay of Greene King's profitability, but since the year and it has diversified its interests into the sports and leisure sector by subscribing for 75 per



comment

Greene King's profit was at the top end of forecasts but the market clearly regarded it as unremarkable and left the share price unchanged at 160p. This is easily understandable, for excitement tends not to be a feature of Green King's performance. Last year it was a case of a little bit on margins, a little bit of cost-cutting and a little bit of growth through acquisition. This year is likely to see more of the same. Green King lacks the big brewers' scope for profits growth through major cost-cutting and has no plans for an aggressive build and buy strategy such as that adopted by Wolverhampton & Dudley. True, there is the interesting diversification into Sports Nationwide, but this is a relatively small venture and Greene King does not see it as a dramatic departure. The group is trading on an historic p/e ratio of 11: it is an average rating for an average brewer, and one can easily sympathise with those who wonder why they should invest in this one when there are several more exciting opportunities in the sector.

Norbain progresses to £1.1m

Norbain Electronics continued to progress in the second six months and for the full 1984-85 year raised its profits before tax from £864,000 to £1.1m.

And with earnings emerging 2.52p higher at 9.5p the dividend is being stepped up by 0.2p to 1.2p net per 5p share.

In the current year sales and orders are running at a significantly higher level and the directors are confident of a satisfactory full-year outcome.

For the past year, to end April 1985, group turnover rose from £9.1m to £13.79m, an in-

crease of 51 per cent. The rate of growth was in line with the directors' expectations and all subsidiaries contributed to the improvement.

Tax accounted for £474,000, against a previous £213,000, to leave net profits at £631,000, compared with £450,000—last year minorities also took £19,000 extraordinary debits £22,500.

For the opening six months of the group, a distributor of electronic components, saw its profits before tax rise from £273,000 to £536,000 and with

orders and sales running ahead of the previous year the directors believed that the then current opportunities should enable Norbain to achieve encouraging results for the full year.

They say now that in accordance with the group's objective of achieving soundly-based long-term growth, material investment was made, particularly in sales and marketing personnel in the second half of the year, the benefits of which will be seen in 1985-86. The group obtained a listing on the USM in February 1984.

Greenwich Resources SE listing

By Stefan Wagstyl

Greenwich Resources is seeking to raise funds on the London Stock Exchange to develop a gold mine in the Sudan.

The company, which is listed on the Toronto Stock Exchange, is planning a London listing later this month and a rights issue. Its present market capitalisation is £13.5m.

The funds raised will help start gold production at the Gebelt prospect in the Red Sea Hills, where the company has a 49 per cent-owned joint venture with the Sudanese government.

Mr Stanley Eskell, managing director, said that production would probably start by the end of this month. The company also wanted funds for further exploration and exploitation planned in the Sudan, Egypt and in Venezuela.

The Gebelt mine was opened more than 3,000 years ago for the Pharaohs of Egypt, and was mined by the Greeks and the Romans. Greenwich says it contains 207,000 ounces of gold, which would be worth about \$60m.

Greenwich Resources was established by geological consultant Robertson Research, which retains a 20 per cent stake.

Bertam profit exceeds £1m

Bertam Holdings, a holding company, formed following the reorganisation of Bertam Consolidated Rubber Company in line with Malaysian Government economic policy, has announced pre-tax profits of £1.09m for 1984, compared with £988,000 for the nine months to end-1983.

A single final dividend of 1.25p is being paid, against £575p. Earnings per 10p share are shown as 3.02p (1.57p) pre-extraordinary items, and 3.6p (1.93p) after. For the nine-month period they are 2.09p before, and 2.57p after extraordinary items, on an annualised basis.

Surge at Scottish and Mercantile

Despite sharp rises in both interest and administration expenses Scottish and Mercantile Investment raised its attributable profits from £314,000 to £581,000 in the year to March 31, 1985.

Earnings improved by 7.85p to 14.07p and a final dividend of 10.5p lifts the total from 7.7p to 14p net per 25p share.

At year-end net asset value per ordinary and A non-voting ordinary stood at 447.5p, an improvement of 42.9p. At June 25, 1984, the value amounted to 449.5p.

For the past year income from investments rose to £2.1m (£994,000) and interest receivable to £81,000 (£79,000). Other operating income added £5,000 (£45,000).

Interest payable accounted for £24,000 more at £231,000 and administration expenses took £250,000, against a previous £297,000.

Pre-tax profits came through almost double at £1.09m (£534,000) but tax rose to £308,000 (£185,000) and minorities to £58,000 (£34,000).

Higher interest rates during the year, together with higher yields from long-term investment, helped to improve profitability before tax.

Exceptional non-recurring professional fees of £317,065 were incurred, but the directors do not expect any further such fees will occur in the current year.

Zygal depressed by strong dollar and competition

Zygal Dynamics, which has seen its share price languishing at a low of 18p, yesterday disclosed that it operated at a loss in 1984-1985 and shareholders are to go without a dividend.

Action has been taken since the March 31 year-end to sharpen the sales effort and reduce costs but a continued weak market has led to further losses in the traditionally dull first quarter of the current year, says Mr C. Driscoll, the chairman.

However, he says that given a modest improvement in trading, Zygal, which sells and services computer printers and terminals, should show a return to profitability later in the year.

The outcome for 1984-85, a pre-tax loss of £230,000 compared with a profit of £247,000 previously, would have been much better but for significant losses incurred by the terminal products side, says Mr Driscoll.

Losses in this field were due, he says, to problems created by the strong dollar and increased competition to sales of Diablo products.

Elsewhere, sales of Fujitsu

printer products have been encouraging and there was a steady improvement in modular technology which had been the major cause of a £182,000 taxable loss in the first half.

Turnover in business systems operations more than doubled to £1.98m and the group benefited from an improvement in availability of convergent technologies systems during the second half.

Zygal Services' contract maintenance income increased, helped by the inclusion of convergent technologies equipment, although a reduction in sales of spares led to turnover overall for the year being static.

Total turnover for 1984-85 amounted to £5.88m, against £5.2m, but with expenses up from £1.5m to £2.15m the group incurred an operating loss of £77,000 against a profit of £402,000.

The taxable result was struck after higher interest payable of £103,000 (£55,000) and an exceptional debit this time of £50,000.

The loss per share was shown as 3.5p, compared with restated earnings of 6.8p in 1983-84 when a single final dividend of 0.75p was paid by this USM stock.

Lazard invests in leisure boom

By William Dawkins

Lazard Brothers, the merchant bank, is seeking to raise between £5m and £12.5m for a venture capital fund to invest in unquoted companies in the leisure industry.

Lazard Leisure Fund is to be established as a tax-exempt unauthorised unit trust, and is seeking minimum subscriptions of £100,000 from institutional investors. Its advisers will be Lazard's venture capital offshoot, Development Capital Group and Aspect Leisure, a leisure industry management group and developer.

The fund may come back for further subscriptions at a later date, but will not raise more than £15m in total and will be wound up at the end of 1985. It will be looking for early stage and established leisure businesses with substantial asset backing.

Industry figures cited by the managers suggest that more than £22m was spent on leisure in the UK last year—25 per cent of all consumer spending—a figure which is projected to rise above £25m in the early stages of the decade. The managers estimate that 95 per cent of British leisure companies are unquoted.

They are currently reviewing several investment propositions, including a recreation park project looking for £3m to get off the ground, a marina near the Solent looking for £1.2m for expansion and a seven-year-old leisure wear company.

Merchant bankers N. M. Rothschild and Sons have raised £10m from 30, mainly pension fund, subscribers for their latest venture capital fund, New Court Ventures.

The fund aims to be fully invested in 30 to 40 established but unquoted UK companies or management buy-outs over the next two years. There will be no industry specialisation.

It will be managed by Rothschild Ventures, which was set up in May 1984 to co-ordinate the bank's unquoted investment management activities. Rothschild Ventures already has more than £8m under management in 40 unquoted companies for pension fund clients.

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BARR AND WALLACE
ARNOLD TRUST PLC

Annual Results for 1984

Summary of Results	1984 £'000	1983 £'000
GROUP TURNOVER	120,464	116,776
Divisional Profits		
Motor Distribution	1,596	1,219
Leisure & Holidays	(180)	274
Fuel Distribution	177	208
Computer Services	142	45
	1,735	1,746
Deduct Parent Company Interest and Expenses less other income	430	618
Profit Before Tax	1,305	1,128
Earnings per ordinary and 'A' (non-voting) Ordinary Share of 25p	18.5p	16.0p
Total Dividend for Ordinary and 'A' (non-voting) Ordinary Shares of 25p	7.0p	6.0p
Dividend Cover	2.13	2.17
Net tangible assets per Ordinary and 'A' (non-voting) Ordinary Share of 25p	183.9p	161.4p

TOWERBELL RECORDS plc

(Incorporated in England under the Companies Act 1948 to 1976 No. 150433)

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3,182,286 Ordinary shares of 1p each at 35p per share
payable in full on application
The subscription lists will close at
3.00 p.m. on Thursday 11th July 1985

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To: Harvard Securities PLC, Harvard House, 42/44 Doulton Street, London SE1 0UQ. Tel: 01-928 2661
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Hanson Overseas Finance B.V.

(Incorporated with limited liability in the Netherlands)

NOTICE TO THE HOLDERS
of the 9½ per cent. Convertible
Guaranteed Bonds Due 1996 of Hanson Overseas
Finance B.V. ("the Bonds")

GUARANTEED BY
and Convertible into Ordinary Shares of Hanson Trust PLC.

On June 10, 1985 Hanson Trust PLC ("Hanson Trust") announced both a rights issue (the "rights issue") of 200,184,203 new ordinary shares at 185p per ordinary share (of which 100p was payable by July 4, 1985 and the balance of 85p by September 27, 1985) on the basis of one new ordinary share for every six ordinary shares held and also an offer (the "convertible preference offer") of 148,688,719 5.75 per cent. convertible cumulative redeemable preference shares of £1 each at 100p per share (of which 50p was payable by July 4, 1985 and the balance of 50p by August 30, 1985) on the basis of one such convertible preference share for every nine ordinary shares and/or £11.70 nominal of 8 per cent. convertible unsecured loan stock 2004/09 of Hanson Trust held. In accordance with the Terms and Conditions endorsed on the reverse of the Bonds the Conversion Price applicable thereto falls to be adjusted as a result of the rights issue and the convertible preference offer.

Notice is accordingly hereby given to the holders of the Bonds that, in accordance with the said Terms and Conditions, the Conversion Price has been adjusted with effect from June 11, (being the date on which the rights issue and the convertible preference offer were made) and is now 39p per share.

The new Conversion Price applies to any conversions of the Bonds made on or after June 11, 1985.

London, July 1985

Alexander Russell down as expected

WITH THE miners' strike affecting both half years Alexander Russell saw its profits before tax fall from £2.02m to £955,000 for the full 1984-85 year.

However, the results confirmed the estimate given by the directors last April at the time of the preference share rights issue and shareholders will receive the promised final dividend of 0.94p for a total up from 1.11p to 1.33p net per 10p share.

Profits for the opening six months were down from £1.25m to £600,000 but with the consolidation of Springbank into the quarry division and the coal

business back on to a more normal basis the directors looked to 1985-86 for a resumption of the group's profits growth.

For the year under review, to March 31, 1985, turnover fell from £23.7m to £22.32m—the group distributes building supplies and is also engaged in quarrying and coal recovery. Trading profits dipped from £2.13m to £1.01m before taking account of a £50,000 (£106,000) provision for the employee share scheme.

Tax accounted for £400,000 (£400,000) and minorities for £15,000 (£5,000). Earnings per share fell by 4.8p to 2.3p.

The Bank of Nova Scotia, a merger of two provincial Irish banking to uses and has its headquarters in Cork. Commenting on the takeover, Mr Brian S. Perry, chief executive in Ireland of the Bank of Nova Scotia, said the new group had still considerable growth potential with a top class management team and a broadly spread consumer base.

The Bank of Nova Scotia, founded in 1832, has its headquarters in Toronto and total assets of more than C\$60bn, it is stated.

Great Southern Bank was created six years ago out of the

Bank of Nova Scotia in Irish acquisition

THE First Southern Bank, the 1836m Irish merchant bank, has been acquired by the Bank of Nova Scotia, the only Canadian banking group operating in Ireland. Established in the republic since 1966, it concentrates on the wholesale financial market.

The takeover creates a banking group in Ireland with assets of over £120m and the combined group will now employ 115 people.

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UK COMPANY NEWS

STOCK EXCHANGE BUSINESS IN JUNE

Equity turnover falls 18.4% to lowest level in eight months

BY GRAHAM DELLER

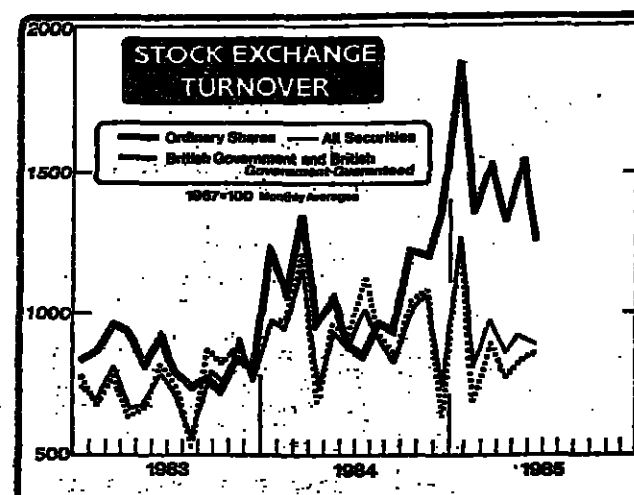
STOCK EXCHANGE business in equities fell from £8.68bn in May to £7.08bn in June, a decline of 18.4 per cent. This is the lowest month's turnover since November of last year and makes an even poorer comparison when observed against this January's all-time record of £10.45bn.

The Financial Times turnover index for ordinary shares fell to 1,265.3 compared with the previous month's measure of 1,550.9. The number of bargains transacted in equities also showed a substantial drop, falling 100,012 to 394,341. The average value per equity bargain, however, rose £400 to £18,000.

Investment enterprise was again held in check as professional and institutional investors appeared to reserve funds for the flotation of Abbey Life—and, to a lesser extent, Christian Salvage: both issues were heavily oversubscribed. A steady stream of rights issues also diverted money away from equity markets already suffering from low attendance due to the counter-attractions of Derby Day and Royal Ascot. Foremost was a massive £519m call from Hanson Trust—the largest in cash terms by a company wholly in the private sector.

Corporate takeover activity provided some interest—Guinness launched a bid for Arthur Bell and merger terms were agreed between textile groups Vantona Viyella and Nottingham Manufacturing—but for the second consecutive month sentiment was flat. The FT Ordinary share index, up to 1,020.3 on June 4, slumped dramatically to close the month at 938.6.

Turnover in British Government securities held up relatively well, rising £2.58bn, or just under 3 per cent, to £90.10bn. Trade in shorts fell early in the month as a broker downgraded his forecast for SIC. The sector's problems were later compounded following a profits warning from Rascal and widespread conjecture surrounding the financial well-being of Thorne EMI. British



Telecom, which had earlier announced preliminary results much in line with expectations, had its offer for Mital of Canada, referred to the Mopopolis Commission, while dealings were suspended, yet again, in Acorn Computer.

As a result, dealers showed no desire to increase already adequate book positions and attempted to deter selling by marking share price down severely. This proved to be only partially successful and the FT Ordinary share index, up to 1,020.3 on June 4, slumped dramatically to close the month at 938.6.

Turnover in all securities during June fell by 1bn, or a margin of 3.3 per cent, to £89.52bn. The FT turnover index for all securities was 889.3 compared with 919.9 in May.

Category	Value £m	% of total	No. of bargains	% of total	Average daily value £m	Average bargain £000s	Average no. of bargains
BRITISH FUNDS							
Short dated (5 years or less to run)	9,551.4	32.9	26,864	5.6	477.6	355.5	1,343
Others (over 5 years)	10,544.3	36.3	31,885	6.6	527.3	398.8	1,594
TOTAL	20,095.7	69.2	58,749	12.2	1,004.9	342.1	2,937
IRISH FUNDS							
Short dated (5 years or less to run)	771.4	2.7	1,732	0.4	36.9	448.8	87
Others (over 5 years)	502.7	1.7	7,900	0.3	25.1	244.6	95
UK LOCAL AUTHORITY OVERSEAS GOVERNMENT OTHER FIXED INTEREST	134.2	0.5	1,745	0.3	7.2	81.4	88
ORDINARY SHARES	7,991.1	26.5	394,341	8.4	354.5	186.0	19,717
TOTAL	29,021.8	100.0	481,235	100.0	1,451.1	60.2	24,091

THE SINGER & FRIEDLANDER BUSINESS EXPANSION FUND 1985/86

Income tax payers still have time to consider investing in The Singer & Friedlander Business Expansion Fund 1985/86 which again offers a spread of investment in exciting, unquoted companies.

The 1985/86 Fund offers investors tax relief at their highest marginal rates, the benefit of Singer & Friedlander's long experience with emerging companies and all the advantages of its national network of offices infusing suitable target companies. Over 200 propositions were received by the 1984/85 Fund.

Investors may subscribe a minimum of £2,000 up to a maximum of £40,000. There is no predetermined maximum level of the Fund, and Singer & Friedlander reserve the right to close the Fund before the announced date if the aggregate of subscriptions reaches what it considers to be an optimum level.

Potential investors should recognise that such investments carry high risks as well as the prospect of exceptional rewards. All applications from new investors will be dealt with in strict order of receipt.

A Fund approved by the Inland Revenue under the terms of the Finance Act 1985.

You are invited to request a copy of the Memorandum describing the Fund by telephoning the number below. Before deciding to proceed with a subscription, however, you are advised to seek advice from your stockbroker, bank manager, solicitor, accountant or other professional adviser.

This advertisement does not constitute an invitation to subscribe to the Fund. Subscription may only be made on the terms and conditions of the Memorandum describing the Fund.

The Secretary of State for Trade & Industry, in giving his permission for the distribution of this Memorandum inviting investment through nominees in qualifying companies, has required that the following matters be brought prominently to the attention of potential investors:

(1) The Scheme is a unit trust scheme which has not been authorised under the Prevention of Fraud (Investments) Act 1958 and does not incorporate the safeguards for investors which apply in the case of an authorised unit trust.

(2) The proper management of the Fund is the responsibility of the managers of the Fund and not the Secretary of State.

(3) Investment in unquoted companies carries higher risks, as well as the chance of higher rewards. The existence of these risks is one reason why tax reliefs are granted in connection with investment through the Fund.

The Manager of the Fund is Singer & Friedlander Managers Limited, 21 New Street, Bishopsgate, London EC2M 4HR.

CLOSING DATE FOR APPLICATIONS

26th July 1985

RING 01-623 3000



CENTURY OILS GROUP

Extracts from the Chairman's Statements 1984/85

This year's results were seriously affected by the UK miners' strike, and reflect the burden of costs in maintaining full services to customers affected by the strike. The total profit before tax for the year was £1.198 million (£3.06 million in 1983/84). However, profit before tax for the second half year of £1.05 million shows a substantial improvement on the first half's £0.15 million and reflects the strong progress achieved in markets outside the mining and mining related sector. A final dividend of 2.5p per share is recommended, making 3.5p for the year which is the same as that for the previous year.

The past year, which has been the most difficult we have faced for many years, will, I believe, be seen in retrospect as being one of the best in the company's history. We tackled the issues vital to the successful long term development of Century and made fundamental improvements which reversed initial serious losses and returned the company to profits well before the end of the strike.

Current outlook
Currently, there is a more settled outlook in the industries which we serve and if this continues, the benefits of our expanded sales and control of costs should become apparent in the year ahead. The returns for the early part of the new financial year already show that we have now achieved the record levels of trading predicted in my interim statement and that nearly all operating companies within the Group are reporting improved performances and are contributing to profits.

Charles H. Mitchell, Chairman.

1985

CENTURY OILS GROUP P.L.C. PO BOX 2, CENTURY STREET, HANLEY, STAKE-ON-TRENT STY SHAL. TEL: 0782 28521

LONDON

Chief price changes
(in pence unless
otherwise indicated)

RISKS	
Bardays	400 +12
Beecham	323 +8
Burton	481 +15
Comm Union	211 +8
Debenhams	381 +23
Fab Mothercare	382 +18
Maynards	350 +10
NatWest	680 +17
Royal Ind	685 +22
TSI Thermal	280 +20
Thorn EMI	344 +15
Vickers	205 +10

FALLS	
Allied Coll	153 -15
BICC	193 -12
Lex Service	167 -10
Pentlands Ind	870 -30

IN THE UNITED STATES BANKRUPTCY COURT FOR THE WESTERN DISTRICT OF TEXAS MIDLAND-ODESSA DIVISION

In Re: MGF Oil Corporation, Debtor.
CASE NO. 79-40160-E-11
ORDER FOR AND NOTICE OF:

1. HEARING ON DISCLOSURE STATEMENT.
2. DEADLINE FOR FILING PROOFS OF CLAIMS AND INTERESTS AND OBJECTIONS TO DISCLOSURE STATEMENT, AND
3. RELATED MATTERS

TO THE DEBTOR, ITS CREDITORS AND SHAREHOLDERS, AND OTHER PARTIES IN INTEREST:

YOU ARE HEREBY GIVEN NOTICE THAT MGF Oil Corporation ("MGF"), the above-named debtor, filed its First Amended Plan of Reorganization ("Plan") and its Disclosure Statement pertaining to the Plan on June 11, 1985. The Plan and the Disclosure Statement are on file in the office of the Clerk of this Court, United States Courthouse, 200 East Wall, Room 316, Midland, Texas, and are available for examination there during regular office hours. A party in interest may obtain a copy of the Plan and the Disclosure Statement by written request directed to: MGF Oil Corporation, P.O. Box 360, Midland, Texas 79702-0360, Attention: B. W. Page. MGF is directed to transmit a copy of the Plan and Disclosure Statement to each party in interest from which it receives such written request, to each member of the Official Creditors' Committee (the "Committee"), to counsel for the Committee, and to the Securities and Exchange Commission.

IT IS ORDERED AND YOU ARE HEREBY GIVEN NOTICE THAT:

1. A hearing to determine whether the Disclosure Statement shall be approved by this Court pursuant to the provisions of 11 U.S.C. §1125 shall commence at 9:30 o'clock a.m. on August 8, 1985, at the following address: U.S. District Courthouse, 200 E. Wall Street, Midland, Texas. Such hearing may be continued or postponed to a later time upon notice given in open court, without further notice in writing.

2. A party in interest may file and serve a written objection to the Disclosure Statement on or before July 23, 1985. Any objection not received in the office of the Clerk of this Court at the address above given and served on counsel for MGF and counsel for the Committee on or before such date shall not be considered and shall be deemed waived. Objections shall be addressed for transmittal to: Cotton, Bledsoe, Tighe & Dawson, P.O. Box 2776, Midland, Texas 79702, Attention: Richard T. McMillan, counsel for MGF, and Moore & Peterson, 1700 Pacific, 2800 First City Center, Dallas, Texas 75201, Attention: D. M. Lynn, counsel for the Committee.

IT IS FURTHER ORDERED AND YOU ARE HEREBY GIVEN NOTICE THAT:

1. The deadline for filing a proof of claim or proof of interest in this case is extended to August 8, 1985. Any claim or interest not included in the schedules of debts or interests filed by MGF and any claim or interest scheduled as disputed, contingent, or unliquidated shall not be allowed for voting or distribution unless a proof of such claim or proof of such interest is received in the office of the Clerk of this Court on or before such date at the address specified below. Clerk of the Court, United States District Court for the Western District of Texas, Midland-Odessa Division, P.O. Box 10708, 280 East Wall, Room 316, Midland, Texas 79702.

2. MGF shall amend its schedule of creditors and stockholders by filing a list of record holders of its public securities as of August 8, 1985. Dated: June 28, 1985.

By: /s/ Joseph C. Elliott
Joseph C. Elliott
United States Bankruptcy Judge

Svenska Handelsbanken

US\$ 100,000,000 12½% Notes 1989

NOTICE IS HEREBY GIVEN that pursuant to Condition 4 (b) of the Notes, US\$ 1,000,000 principal amount of the Notes has been drawn for redemption on 5th August 1985, at the redemption price of 101% of the principal amount, together with accrued interest to 5th August 1985.

The serial numbers of the Notes drawn for redemption are as follows:—

109	2338	4066	5708	7171	8497	10168	13411	16831
125	2639	4076	5861	7213	8754	10241	13454	16895
182	2640	4334	5901	7237	8769	10289	13513	16962
288	2691	4484	5969	7356	8787	10372	13683	17011
294	2766	4583	6023	7562	8906	10380	14171	17108
354	2791	4607	6112	7595	8955	10470	14259	17270
431	2848	4628	6177	7611	9015	10519	14344	17311
464	2908	4639	6215	7681	9026	10756	14609	17539
837	3070	4643	6216	7802	9131	10939	15182	17682
1057	3267	4681	6346	7853	9226	11032	15519	17725
1364	3321	4626	6349	7859	9414	11286	15667	17731
1364	3325	4937	6364	7883	9499	11636	15739	17786
1539	3332	4951	6444	7994	9581	12167	16163	17922
1861	3369	5005	6527	7801	9621	12436	16325	17933
1914	3457	5132	6666	7855	9658	12689	16569	18215
2166	3549	5189	6711	7976	9725	12762	16443	18428
2215	3645	5145	6844	8266	9747	12736	16462	18450
2301	3769	5139	6885	8293	9728	12767	16598	18502
2361	3881	5480	6918	8418	9808	13078	16735	18578
2562	3901	5516	7164	8487	10128	13283	16987	18532

Restructuring at Landis & Gyr

Mr A. D. Danbury and Mr J. C. Birkinire have been appointed

by Mr. David Wilson, formerly group financial controller of Fine Fare.

[illegible]

The content, size and publication dates of surveys in the Financial Times are subject to change at the discretion of the Editor

habitat/mothercare

A.B.N. Bank.....	121%
Allied Dunbar & Co.....	121%
Allied Irish Bank.....	121%
American Express Bk.....	121%
Heavy Ausbacher.....	121%
Banco de Bilbao.....	121%
Associates Cap. Corp.....	13 %
Banco de Bilbao.....	121%
Bank Napoliim.....	121%
BCCL.....	121%
Bank Ireland.....	121%
Bank of Cyprus.....	121%
Bank of India.....	121%
Bank of Scotland.....	121%
Banque Belge Ltd.....	121%
Barclays Bank.....	121%
Bank of China.....	121%
Brit Bank of Mid. East.....	121%
Brown Shipley.....	121%
CL Bank Nederland.....	121%
Canada Permanent.....	121%
Credit Agricole.....	121%
Cedar Holdings.....	121%
Charterhouse Japhet.....	121%
Chouloutris**.....	121%
Citibank NA.....	121%
Citicorp.....	121%
City Merchants Bank.....	121%
Clydesdale Bank.....	121%
C. E. Cortes & Co. Ltd.....	121%
Comm. Bk. N. East.....	121%
Comptoir d'Escompte.....	121%
Co-operative Bank.....	121%
The Cyprus Popular Bk.....	121%
Duncan Lawrie.....	121%
E. T. Frost.....	121%
First Nat. City.....	121%
First Nat. Fin. Corp.....	121%
First Nat. Secs. Ltd.....	121%
Robert Fleming & Co.....	121%
Robert Fraser & Froux.....	121%
Sandhu Bros. & Sons.....	121%
Ginnsdale Mahon.....	121%
Hambros Bank.....	121%
Heritable & Gen. Trust.....	121%
Hill Samuel.....	121%
C. Hoare & Co.....	121%
Hongkong & Shanghai.....	121%
Johannes Maloney & Co.....	121%
Kowloon City Ltd.....	13 %
Lloyds Bank.....	121%
Edward Manson & Co.....	13 %
Megharl & Sons Ltd.....	121%
Midland Bank.....	121%
Montagu & Co.....	121%
Mount-Credit Corp. Ltd.....	121%
National Bk. of Kuwait.....	121%
National Girobank.....	121%
National Westminster.....	121%
New York Bank.....	121%
Norwich Gen. Trust.....	121%
People's Trust.....	121%
PK Finans Intl. (UK).....	121%
Provincial Trust Ltd.....	121%
Royal Bank of Canada.....	121%
Rothschilds Guarantee.....	121%
Royale Bank of Scotland.....	121%
Royal Trust Co. Canada.....	121%
T. Henry Schroder Wagg.....	121%
Standard Chartered.....	121%
TCB.....	121%
Trustee Savings Bank.....	121%
United Bank of Kuwait.....	121%
United Mizrahi Bank.....	121%
Wanderbank.....	121%
Whiteways Laidlaw.....	13 %
Williams & Glyn's.....	121%
Yorkshire Bank.....	121%
* Members of the Accepting House	
- 7-day deposits 8 1/2%, 1 month 9 1/2%.	
- Top Treasury Bill at 3 months 10 1/2%.	
- 6-month deposit 9 1/2%. All over £10,000 + remains deposited.	
- Call deposits £1,000 and over 10 1/2%.	
- 21-day deposits over £1,000 9 1/2%.	
- Savings bank rates.	
- London & Lancashire Bank Ltd.	
- Demand deposits 8 1/2%.	



Agent Bank
Bank of America International Limited

COMMODITIES AND AGRICULTURE

Tea exporters plan to lift quality and price levels

BY JAMES BUXTON IN ROME

THE WORLD'S tea producers are to work out ways of implementing higher standards of tea quality in order to help tea prices to recover after their recent dramatic fall on the London market.

A meeting in Rome of the International Tea Commission (ITC), part of the United Nations' Food and Agriculture Organisation (FAO), concluded that the only existing international standard for tea is more rigorously enforced. The other is to try to devise a new standard which would require higher quality than the present standard which is acknowledged to provide a very loose definition of good tea.

It is believed that by adopting a higher standard, the quality of tea will be improved and the price of tea will be able to recover. The ITC, which includes both producing and consuming countries, was unable to find a comprehensive explanation for the unpredicted price collapse. But the record crop in 1984 led to more tea coming onto the market, and to tea pluckers picking sub-standard leaves which they

would normally have left on the bush.

Then this year the market was depressed by news that another good crop was expected in 1985, thus encouraging tea buyers to hold back from buying in the hope of lower prices.

The tea exporters are now, with the help of FAO, to consider two possibilities as a short-term measure. One is to insist that the only existing international standard for tea is more rigorously enforced. The other is to try to devise a new standard which would require higher quality than the present standard which is acknowledged to provide a very loose definition of good tea.

It is believed that by adopting a higher standard, the quality of tea will be improved and the price of tea will be able to recover. The ITC, which includes both producing and consuming countries, was unable to find a comprehensive explanation for the unpredicted price collapse. But the record crop in 1984 led to more tea coming onto the market, and to tea pluckers picking sub-standard leaves which they

operation they may later be able to co-ordinate wider actions on regulating production, which they have hitherto failed to achieve.

Behind the discussions has been anxiety that this year's price collapse could be part of a more prolonged decline caused by the imbalance between supply and demand. The FAO reckons that tea production could continue to grow in the period up to 1990 by the 3.7 per cent annual rate of growth it achieved in the 1970s.

World demand for tea is, on the other hand, projected to grow by 3 per cent up to 1990, compared with 3.5 per cent in the period up to 1981. This would produce an imbalance between supply and demand equivalent to 2.4 per cent of the world crop.

While the FAO believes that this margin may be small enough to be partially offset by bad weather factors, it warns that there could be a fall in prices in real terms over the period.

Decline in London zinc values continues

By John Edwards, Commodities Editor

ZINC VALUES tumbled on the London Metal Exchange yesterday as heavy profit-taking selling emerged in a market already weakened by the rise in the value of sterling. Cash zinc dropped by £22.5 to \$533 a tonne, while the three months quotation closed \$24 down at \$568.5 falling to \$565 in late afternoon.

Traders said that the failure of the three months price to breach \$600, in spite of output cuts announced by several leading producers, triggered off some heavy selling that accelerated as stop-loss orders were triggered off. The decline was viewed as a normal reaction after the recent upsurge in the market.

Nickel also came under heavy selling pressure, particularly of spot supplies, which drove the cash price down by £12.5 to \$3,917.5 a tonne. The three months quotation was \$36.5 lower at \$2,997.

Trading in the tin market remained subdued, while the controversy over the limit on the cash price premium to "borrow" for a day continues to restrict dealings. Nevertheless the cash price yesterday widened its premium over the three months quotation gaining \$54.5 to \$9,807.5 a tonne, while three months lost \$11.5 to \$9,415.

Indonesia's rice "miracle"

BY KIERAN COOKE IN DUBLIN

ONLY A few years ago Indonesia was the world's biggest rice importer. But last year a surge in production to more than 25m tonnes allowed the country, for the first time in its modern history, to market enough rice to feed its 160m people.

Indonesian leaders see the change as one of the great achievements since the firmly development-oriented government of President Suharto came to power in the late 1960s. At that time rice production was only 11m tonnes.

President Suharto himself will be making one of his rare visits abroad later this year to explain Indonesia's rice "miracle" to a special meeting of the UN Food and Agriculture Organisation in Rome.

There are problems, however, chiefly price and quality. Prices of rice within Indonesia are centrally controlled through the national logistics agency, Bulog, which has traditionally imported or bought in rice stocks to ensure a price stable and to guarantee a fair price to Indonesia's estimated 30m paddy farmers. But as production has dramatically in-

creased—from 17.8m tonnes in 1979 to 22.3m tonnes in 1981 and to 24m tonnes in 1983—Bulog has found it increasingly difficult to control stock levels.

After last year's record harvest Bulog now has stocks of nearly 3m tonnes. Its warehouses are full to overflowing and it says that space and spoilage problems, plus a lack of government funds due to the falling value of Indonesia's oil exports, prevent it from buying in any more rice. As a result prices have fallen. The Bulog floor price is at present set at 175 rupiahs (15 U.S. cents) a kilo for unhusked paddy. Yet in the main rice growing area of West Java prices have sunk as low as 110 rupiahs a kilo.

As more than 60 per cent of farming income is still derived from rice, any fall in price has a serious impact. While consumption is down from 80 kilos per head a year in 1967 to 150 kilos today—Indonesia is likely to be producing significant rice surpluses in the years ahead, especially if the Government target of 3.3 per cent annual growth in rice production over the next five years is achieved. Exports at the moment are

thought to be an unrealistic proposition. Production costs remain high while quality is still low. The reason for this is the ironical, in the new strains of rice which have been responsible for Indonesia's green revolution.

The new strains, pioneered by the International Rice Research Institute in the Philippines and known as IR-8, IR-36 and now IR-64 are capable of doubling or even tripling rice production. But the strains also demand greater fertiliser inputs, extension or irrigation facilities and generally more attention. Farmers often lack the necessary expertise to plant and tend the new rice seedlings. Often too much fertiliser is used, resulting in killing off fish and land crabs that live in the paddy—an important source of additional income for the farmer. Farmers have also been reluctant to interplant both the old and new rice. This has led to crop inconsistencies and rejection by traders.

The new crops have also led to increased labour costs. With traditional rice, a system of reciprocal neighbourhood help had been established with members of a community

sharing harvesting work. Now, as harvests come round more quickly, teams of contract labourers move from field to field. Even the old way of harvesting has changed: once a small knife called *andak* was used to delicately cut the stalks so as not to disturb the goddess of the rice paddy. Bigger sickles are now in use to cope with the bulk of the new rice crops.

The Government seems to have become the victim of its own success. It is very conscious of adequate stocks must be maintained in order to guarantee supplies in the event of crop failures. Rice shortages in the late 1960s and early 1970s brought serious political unrest. Even now, the Government is continuing to import small quantities of rice to maintain good relations with traditional suppliers and to make sure stocks will be available in the event of an emergency. It does not have the funds to increase prices for the farmer who, in turn, might precipitate shortages in future years by not investing so much money and effort in Indonesia's modern day miracle.

Coffee pact quotas reduced

BY JOHN EDWARDS, COMMODITIES EDITOR

THE International Coffee Organisation yesterday formally announced a cut in its 60 kilos each in export quotas following a fall in its 15-day average price to 129.65 cents a pound. The reduction in quotas was automatically triggered when the price went below 130 cents. It means that export quotas for the 1984/85 (October to September) season have been reduced to the basic quota level of 59m bags.

The initial overall quota, agreed last September, was increased by an extra 2m bags to 61m bags because of complaints from consumers that the strict application of quotas was creating an artificial shortage of supplies available to members of the International Coffee Agreement on the world market. The first 1m bags of the extra quota was withdrawn in December when market

prices fell below the initial trigger level of 135 cents.

Now that the second 1m bags of extra quota has been withdrawn, the next changes in quota will be triggered either by the ICO average price sinking below 120 cents or rises above 140 cents. Yesterday's quota cut followed a fall in the market since it had been anticipated and already discounted.

Prices in fact dropped to the lowest level for 20 months in early trading on the London Robusta futures market, with the September position dipping to \$1,824. However the market then staged a strong recovery and September futures closed at \$1,867.5 a tonne, 22.5/ above the previous day's close.

Traders said the sudden turnaround in prices yesterday was primarily a technical reaction following the recent steep fall in values. Some buying interest

at the lower levels—stimulated profit-taking by earlier sellers in an overvalued market. However considerable uncertainty about the future trend in prices remains.

July is the main danger period for frost in Brazil but there is no immediate threat. This could, of course, change overnight. However, in the meantime there are more adequate supplies of coffee available at present. Crop prospects for 1985/86, which would not be affected by any frost in Brazil, are looking promising and could well break through the 100m bags mark.

E. D. & F. Mann, London brokers, in its latest world coffee market report, just out, notes that whereas output seems still to be on the increase, consumption is creeping up at a much slower rate.

Bumper Indian crop forecast

By P. C. Mahanti in Calcutta

AFTER A series of small crops India's new rice output for the season beginning this month is forecast at 8.5m to 9m bales, which would be a bumper crop.

With de-hoeing operations by the Government in full swing, mills report that fibre content is high and quality is good. The ruling market quotation is staying below the officially fixed ceiling of 600 a quintal.

In view of the improved fibre supply outlook, the government has decided to open up the closed mills early. Some 20 mills remain closed at present throwing nearly 100,000 workers out of work.

Vegetable oil market under pressure

BY JOHN BUCKLEY

RISE IN PRODUCTION and renewed pressure on vegetable oil prices this week. Many have now dropped to levels not seen since before the U.S. soyabean crop was cut by drought in 1983 and most are likely to continue weak according to European dealers.

Principal catalyst in the latest downturn has been the rise in Malaysian palm oil production at a time of expanding new crop soyabean oil supply. Although May palm oil production was disappointing at some 250,000 tonnes demand from the traditional big buyers, India, Pakistan and the Soviet Union, was even further below expectations.

With the peak palm oil production period of August-October promising monthly

averages of 400,000 tonnes or more, the market is likely to come under increasing pressure as the summer wears on and further stock surpluses aggravate refiners' cash flow problems.

Already this situation has slashed \$50 of prices of Malaysian palm oil, now offered at around \$485 a tonne forward against \$600 just eight weeks ago. A dip to \$450, or even \$400 is now widely forecast as the Malaysians drop their resolve to shore up prices and tend to the more pressing need to compete against a record supply of Brazilian and Argentine soyabean oil.

Brazilian oil has been making brisk business into the U.S. where \$120 premiums have been justified by a slow crush and poor returns on meal production, making re-export a

profitable exercise. Even palm oil has captured the imagination of U.S. consumers who, starved of traditional cheap domestic supplies, have trebled their demand for refined palm products against year-ago totals and are forecast to take some 20,000 tonnes a month until September.

Most merchants play down the possibility of U.S. weather markets breathing new life into soyabean demand for meal traditionally falls in the summer months and oil is clearly plentiful. The only bull factor, a drought in Malaysia, is also shrugged off since there is normally a six to seven month lag between rainfall and palm oil yields. In the words of one international trader, "something's got to give and it's likely to be the U.S. soyabean premium."

Values have also been under pressure from the collapse of coconut and palm kernel oil markets reflecting rising supplies. After a \$50 fall this week coconut oil is now only a third of the price ruling at this time last year and at \$525 a tonne can once again compete freely.

At the bottom end of the market record EEC rape seed crops have kept not only European but many third world customers well supplied with an increasingly cheap oil. However that continued decline in the long-term health of the British crushing industry. Since March the European Commission has virtually doubled its aid to crushers to over £100 per tonne only to watch oil prices drop by £150 and meal by £200 per tonne.

LONDON MARKETS

BASE METALS

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

	Unofficial + or -	High/Low
Cash	277.5-281.5	279.0
3 months	281.5-285.5	283.0

COPPER

	Unofficial + or -	High/Low
Cash	1075.5-1079.5	1078.0
3 months	1079.5-1083.5	1081.0

LEAD

	Unofficial + or -	High/Low
Cash	298.5-301.5	299.0
3 months	301.5-304.5	302.0

NICKEL

	Unofficial + or -	High/Low
Cash	3080.0-3100.0	3090.0
3 months	3100.0-3120.0	3110.0

TIN

	Unofficial + or -	High/Low
Cash	9590.0-9610.0	9600.0
3 months	9610.0-9630.0	9620.0

ZINC

	Unofficial + or -	High/Low
Cash	573.5-575.5	574.0
3 months	575.5-577.5	576.0

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS

	July 4 1985	+ or -	Month ago
Aluminium	\$1100	+	\$1100
Free Mkt	\$1025.00	+	\$1080.00
Cash	\$1075.00	+	\$1140.00
3 months	\$1085.00	+	\$1140.00
Lead	\$298.50	+	\$298.50
Cash	\$298.50	+	\$298.50
3 months	\$301.50	+	\$301.50
Nickel	\$3080.00	+	\$3080.00
Cash	\$3080.00	+	\$3080.00
3 months	\$3100.00	+	\$3100.00
Tin	\$9590.00	+	\$9590.00
Cash	\$9590.00	+	\$9590.00
3 months	\$9610.00	+	\$9610.00
Zinc	\$573.50	+	\$573.50
Cash	\$573.50	+	\$573.50
3 months	\$575.50	+	\$575.50

GOLD

	July 4 1985	+ or -	Month ago
Gold	\$310.00	+	\$310.00
Cash	\$310.00	+	\$310.00
3 months	\$310.00	+	\$310.00

GOLD AND PLATINUM COINS

	July 4 1985	+ or -	Month ago
Gold	\$310.00	+	\$310.00
Cash	\$310.00	+	\$310.00
3 months	\$310.00	+	\$310.00

GRAINS

	July 4 1985	+ or -	Month ago
Wheat	\$100.00	+	\$100.00
Cash	\$100.00	+	\$100.00
3 months	\$100.00	+	\$100.00

WHEAT

	July 4 1985	+ or -	Month ago
Wheat	\$100.00	+	\$100.00
Cash	\$100.00	+	\$100.00
3 months	\$100.00	+	\$100.00

RUBBER

	July 4 1985	+ or -	Month ago
Rubber	\$100.00	+	\$100.00
Cash	\$100.00	+	\$100.00
3 months	\$100.00	+	\$100.00

COFFEE

	July 4 1985	+ or -	Month ago
Coffee	\$100.00	+	\$100.00
Cash	\$100.00	+	\$100.00
3 months	\$100.00	+	\$100.00

FREIGHT FUTURES

	July 4 1985	+ or -	Month ago
Freight	\$100.00	+	\$100.00
Cash	\$100.00	+	\$100.00
3 months	\$100.00	+	\$100.00

INDICES

FINANCIAL TIMES

	July 4 1985	+ or -	Month ago
FTSE 100	276.04	+	276.04
July 4 1985	276.04	+	276.04
July 4 1985	276.04	+	276.04

REUTERS

	July 4 1985	+ or -	Month ago
Reuters	276.04	+	276.04
July 4 1985	276.04	+	276.04
July 4 1985	276.04	+	276.04

MOODY'S

	July 4 1985	+ or -	Month ago
Moody's	276.04	+	276.04
July 4 1985	276.04	+	276.04
July 4 1985	276.04	+	276.04

DOW JONES

	July 4 1985	+ or -	Month ago
Dow Jones	276.04	+	276.04
July 4 1985	276.04	+	276.04
July 4 1985	276.04	+	276.04

COCOA

	July 4 1985	+ or -	Month ago
Cocoa	\$100.00	+	\$100.00
Cash	\$100.00	+	\$100.00
3 months	\$100.00	+	\$100.00

SUGAR

	July 4 1985	+ or -	Month ago
Sugar	\$100.00	+	\$100.00
Cash	\$100.00	+	\$100.00
3 months	\$100.00	+	\$100.00

POTATOES

	July 4 1985	+ or -	Month ago
Potatoes	\$100.00	+	\$100.00
Cash	\$100.00	+	\$100.00
3 months	\$100.00	+	\$100.00

PIGMEAT

	July 4 1985	+ or -	Month ago
Pigmeat	\$100.00	+	\$100.00
Cash	\$100.00	+	\$100.00
3 months	\$100.00	+	\$100.00

MEAT

	July 4 1985	+ or -	Month ago
Meat	\$100.00	+	\$100.00
Cash	\$100.00	+	\$100.00
3 months	\$100.00	+	\$100.00

SOYABEAN MEAL

	July 4 1985	+ or -	Month ago
Soyabean meal	\$100.00	+	\$100.00
Cash	\$100.00	+	\$100.00
3 months	\$100.00	+	\$100.00

OTHER MARKETS

	July 4 1985	+ or -	Month ago
Other markets	\$100.00	+	\$100.00
Cash	\$100.00	+	\$100.00
3 months	\$100.00	+	\$100.00

Spain's growing potential for horticultural exports

BY A SPECIAL CORRESPONDENT

THE range of varieties makes Spain's horticultural exports to the Community next January a huge.

Exports of fruit and vegetables, mostly to Europe, now stand at about 4m tonnes a year, including more than 600,000 tonnes to the UK. The rate of EEC duties against Spain ranges from 4 per cent for avocados to 25.5 per cent for pears and averages more than 13 per cent over some 30 products.

Citrus heads the list of Spain's horticultural exports in volume and value, and its production is rising. Exports last year totalled 2m tonnes for the first time in the industry's history, Britain taking 230,000 tonnes compared with 160,000 tonnes the year before—despite a tariff of 12 per cent against Spanish fruit compared with only 8 and 4 per cent on that of its two main rivals, Israel and Morocco.

Much investment has recently gone into extending Spain's citrus-growing area, and Israel has been a major beneficiary of what might happen as duty against Spanish exports falls and their volume rises.

The Community is contemplating a transition period of eight years for the removal of all duty against Spanish citrus, but Spain is trying to have the term shortened, arguing that citrus should not be bracketed with other horticultural lines anyway because there is virtually no other citrus production in the present EEC and the fruit is therefore not "sensitive".

The quantity of tomatoes Spain grows is also large, last year exceeding 2m tonnes, of which 370,000 were exported. Britain took 126,000 tonnes.

Sales to Europe have been rising, output is year-round, the industry has become more automated and efficient and its impact can be expected to harden as duty, now varying from 5.5 to 18 per cent according to season, is phased out. Onions are another Spanish horticultural giant, more than 1m tonnes being grown annually and fifth of them exported, Britain taking about 80,000 tonnes.

Spain is already Europe's largest supplier of apricots, exports of which total about 240,000 tonnes. Her share of the early market has been growing, and should do so even more as existing EEC duty of 25 per cent is scaled down.

Almost as heavily penalised today are peaches, exports of which have been slightly less than 20

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases in quiet trading

The dollar finished slightly weaker in London yesterday in quiet trading. This was due to the closure of U.S. markets for Independence Day. The absence of any fresh U.S. economic statistics kept major currencies within a narrow trading range. The dollar closed at DM 3.0315 from DM 3.0340 and range. The dollar closing at DM 3.0315 compared with the Japanese yen it finished at ¥247.70 from ¥248.00 and the Swiss franc at Sfr 9.2875 from Sfr 9.2875. On the Bank of England figures, the dollar's exchange rate index was unchanged at 163.7.

STERLING — Trading range against the dollar in 1985 is 121.75 to 126.55. June average 123.15. Exchange rate index 81.65 up from 81.60 on July 4. The six months ago figure was 72.9. Sterling finished at its best level since March 1984 in very quiet trading yesterday. The prospect of a reduction in the prime rate appeared to have little effect, for two reasons. Firstly

such a move had already been anticipated and secondly the high level of UK interest rates provided sterling with a very firm base. Any further trend in UK rates is likely to depend on next week's UK money supply figures. The pound rose to Sfr 9.2875 from Sfr 9.2875, against the Japanese yen it finished at ¥247.70 from ¥248.00 and the Swiss franc at Sfr 9.2875 from Sfr 9.2875. On the Bank of England figures, the dollar's exchange rate index was unchanged at 163.7.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate	% change
Belgian franc	100	44.9004	+0.09
German mark	100	8.1400	+0.04
French franc	100	6.5595	+0.03
Dutch guilder	100	3.5361	+0.03
Irish punt	100	7.8756	+0.03
Italian lire	100	1403.48	+0.03

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

DM 3.0315 compared with DM 3.0340 on Wednesday. There was no intervention by the Bundesbank. The dollar closed at DM 3.0315 from DM 3.0340. Elsewhere the D-mark showed little change after the Bundesbank's decision to leave credit policies and lending rates unchanged. Following a meeting of the central council, the decision was much in line with market expectations.

STERLING INDEX

Time	Index	Previous
3.30 am	81.5	81.5
9.00 am	81.5	81.5
10.00 am	81.5	81.5
11.00 am	81.5	81.5
12.00 pm	81.5	81.5
1.00 pm	81.5	81.5
2.00 pm	81.5	81.5
3.00 pm	81.5	81.5
4.00 pm	81.5	81.5

Forward premiums and discounts apply to the U.S. dollar

£ IN NEW YORK

Time	Rate	Prev. close
2 spot	N/A	81.60-81.65
1 month	N/A	81.60-81.65
3 months	N/A	81.60-81.65
6 months	N/A	81.60-81.65
12 months	N/A	81.60-81.65

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Time	Rate	Prev. close
2 spot	N/A	81.60-81.65
1 month	N/A	81.60-81.65
3 months	N/A	81.60-81.65
6 months	N/A	81.60-81.65
12 months	N/A	81.60-81.65

Forward premiums and discounts apply to the U.S. dollar

FINANCIAL FUTURES

Very subdued

Dealers were a little surprised at the lack of trading on the London International Financial Futures Exchange yesterday. Although Chicago was closed for Independence Day, it was pointed out that London had been active on previous U.S. holidays. The low volume was at least partly the result of doubts about events and statistics which are bound to have a major impact on credit markets in London and the U.S.

Today's meeting of Opec ministers in Vienna, amid speculation of a cut in oil prices, is of particular importance to sterling denominated contracts, while next Tuesday's UK money supply and bank lending figures are expected to be good enough to encourage the authorities to

endorse lower London interest rates. London money market rates and cash gifts were very quiet and steady, further reducing any incentive for trade on life.

It is anticipated that today's U.S. unemployment figures will reinforce suspicions of slow economic growth, possibly leading to a cut in the Federal Reserve discount rate, although next Friday's retail sales figures may give a better guide. Next week's Federal Open Market Committee, may also provide some clues to present monetary policy.

Figures in the table below are July 4 for London and July 3 for Chicago.

LONDON

250,000 points of 100%				
	Close	High	Low	Prev
Sept	82.12	83.13	82.09	83.11
Oct	88.89	83.70	88.47	83.63
Nov	88.95	88.82	83.79	88.95
June	88.95	—	—	88.57
Sept	88.08	—	—	88.10
Estimated volume 224 (488)				
Previous day's open int 5,315 (5,070)				
30-YEAR 12% NOTIONAL GILT				
250,000 32nds of 100%				
	Close	High	Low	Prev
Sept	110-14	110-16	110-11	110-12
Oct	110-25	—	—	110-27
Mar	111-02	—	—	111-03
Estimated volume 259 (2,054)				
Previous day's open int 3,358 (3,160)				
BASIC quote (clear price) of 134%:				
Treasury 2003 less equivalent price of near futures contract —25 to —15 (32nds)				

FT COMMERCIAL LAW REPORTS

Tax unaffected by retrospective change in maintenance order

MORLEY-CLARKE v JONES (HM INSPECTOR OF TAXES)

Court of Appeal (Lord Justice Oliver, Lord Justice Mustill and Sir Denis Buckley): June 28 1985

A PARENT'S tax liability in respect of child maintenance income already paid to her under a court order is unaffected by a retrospective variation of the order specifying that payments should be made direct to the child.

The Court of Appeal so held when allowing an appeal by the Inland Revenue from Mr Justice Lincoln's decision to set aside an assessment to income tax made on Mrs Angela Morley-Clarke in respect of child maintenance payments.

Section 31 of the Matrimonial Causes Act 1973 provides: "Where the court has made an order to which this section applies, then, subject to the provisions of this section the court shall have power to vary . . . the order."

LORD JUSTICE OLIVER said that Mrs Morley-Clarke's marriage was dissolved on April 18 1969.

On that date a consent order was made ordering the husband to pay maintenance to her for her child under the Matrimonial Causes Act 1965.

The tax position at that time was that the income of an infant child of divorced parents was aggregated with that of the custodial parent, and the child had no separate personal allowance.

As a result of section 16 of the Finance Act 1971 those provisions ceased to have effect from tax year 1972-73 onwards, and it became the practice to order that periodical payments should be paid direct to the child so that they formed part of his income and he could claim his own personal allowance.

From then onwards parents receiving maintenance under orders in the form of Mrs Morley-Clarke's 1969 order were at a distinct disadvantage compared to those who received similar payments on behalf of their children, for it had been established in *Stevens v Thord* (1940) 1 KB 204 that moneys paid under such an order were

the income of the recipient parent.

Mrs Morley-Clarke applied to the court for a variation of the 1969 order and it was varied by consent so that the husband, as from November 14 1979, was to make payments to the child.

In February 1980 the 1979 order was varied by consent by striking out November 14 1979 as the date for commencement of the periodical payments, and substituting April 18 1969.

Mrs Morley-Clarke contended that the effect of the 1980 order was to convert retrospectively the payments which she received 1975-76 to 1979-80 into payments to the child, and thus retrospectively to deprive those payments of the quality of being her income.

The General Commissioners felt unable to accede to that. Mr Justice Anthony Lincoln held they were wrong.

On the present appeal the Revenue confined its arguments to whether retrospective variation of the order could extend to substituting a different person as beneficiary; and whether such retrospective variation could alter the consequences of the original order which had already attached.

The judge had held that the retrospective substitution of a new payee could be achieved under the court's power of variation where the intended beneficiary of the payment remained the same as before. The question was purely one of construction of the statutory provisions authorising the making and variation of periodical payments.

After considering the sections contained in Part II of the Matrimonial Causes Act 1973 as a coherent whole, his Lordship concluded that it was open to the court under section 31 to vary an order in the 1969 form by substituting a new payee.

If that was right it followed that it was perfectly proper to vary the 1969 order in the way in which it was varied by the 1980 order, and that that order was properly to be regarded as

a section 31 variation of an order for "child maintenance" made under section 23 (1) (d). Allowing that section 31 enabled an order to be varied retrospectively, in the sense of covering a period already past, there was no reason why, as a pure matter of logic, variation should not combine the two features of change of payee and retroactivity.

The 1980 order was therefore a retrospective variation of the 1969 order rather than an entirely new exercise of the power to order periodical payments for child maintenance.

However, the effect of variation in that way was not altogether different matter. Mr Justice Lincoln held that the Revenue was that a retrospective variation could not undo the past and convert something that had already happened and to which legal consequences had already attached, into something else which never did happen.

Thus, it was argued, even though the 1980 order created a new obligation on the husband to pay his child from 1969, it could not alter the fact that Mrs Morley-Clarke had actually received sums which, when received, were undoubtedly her income and on which she was taxable.

The logic of that seemed inescapable. But the judge was able to escape from it by the application of certain authorities dealing with rescission or rectification of a subsisting contract (see *Spence v 24 TC 311*; *Slocock (1979) 1 All ER 388*; *Young (No 2) [1982] P 218*). Those were not of much assistance in resolving the problem raised by the present case.

Some reliance was placed by Mr Potter on *Dodsworth (1936) 2 KB 503* which was concerned with the effect of a nullity decree. The Revenue sought to raise assessments on the taxpayer on the footing that since the marriage was nullified *ab initio* he was not entitled to a married person's allowance. It was held that the effect of the decree, albeit retrospective in declaring the marriage void *ab initio*, was not to undo what had been done during the *de facto* marriage.

That case did provide some assistance as showing that what

mattered for fiscal purposes was the reality as it existed in the year of assessment.

When one was examining the fiscal consequences of what had actually been said, one could not even by order of the court retrospectively overturn reality.

It was within the power of the court to make the order that it did under its power of variation in section 31. The effect of that was simply to create an obligation on the husband as from date of variation to pay the child the specified sums calculated over the specified term.

Retrospective variation in the present case could not alter or expunge the fact that sums were paid to Mrs Morley-Clarke under an obligation existing at the time of payment.

Section 65(3) of the Income and Corporation Taxes Act 1970 provided that tax on small maintenance payments should be "computed in all cases on the payments falling due in the year of assessment."

Mr Thornhill, for Mrs Morley-Clarke, argued that where an order for payment of periodical sums was made in respect of a past period, the sums were to be attributed to the period in respect of which they were to be attributed under the order.

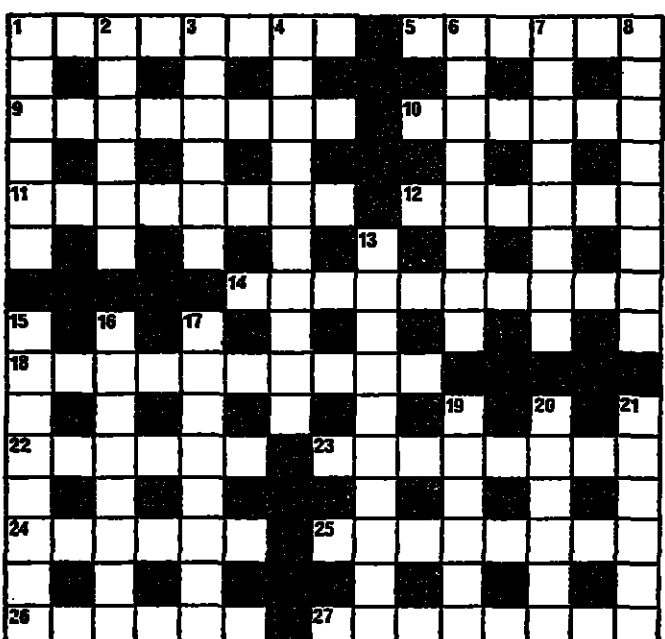
It was an eccentric construction of "due" to say that payments could fall due at a time when in fact there never was any obligation to make them. Something was "due" only when there was in existence a legally enforceable obligation to pay it. Where the obligation stemmed solely from an order of the court, nothing became "due" before the date of the making of the order.

The Revenue should be allowed. Lord Justice Mustill agreed. SIR DENIS BUCKLEY also agreeing, said that the Inland Revenue was not a party to the proceedings in which the relevant orders were made. Those orders consequently could not affect the Inland Revenue.

For the Revenue, Charles Potter QC and Michael Hart (Inland Revenue Solicitor). For Mrs Morley-Clarke, T. Scott Baker QC and Andrew Thornhill QC (Potter and Kempson, Farnham).

By Rachel Davies Barrister

F.T. CROSSWORD PUZZLE No. 5,761



ACROSS

- 1 Many unconventional people become carpenters (5)
- 5 A little cleaner but badly rusted (6)
- 9 Possibly no blame attached to Northern aristocrat (8)
- 10 Difficult to find youth leader in a Hertu town (6)
- 11 Prison food (8)
- 12 It's prudent when taken in by American customs (6)
- 14 Current producer ran to later designs (10)
- 18 Train one in the course of a term (10)
- 22 Chooses steel production around the start of the century (6)
- 23 Without going into public transport point to commercial activity (8)
- 24 Need about four in the plant (6)
- 25 He's to be found on board (8)
- 26 Cheat, seeing a couple of old coppers in trouble, lied about them (6)
- 27 Baby on miniature railway fighting men (8)

DOWN

- 1 Covering the article with a reproduction case (6)
- 2 Strip when back in the hotel, which is natural (6)
- 3 During match return tiny bird (8)
- 4 The preacher gives Lent a new look (10)

- 6 Being well-informed, is to telephone about the rebellion (8)
- 7 Drive dangerously close to dock entrance (8)
- 8 The boy is to prove where bride and groom signed (8)
- 13 The engineers have an answer to the formal proposal (10)
- 15 Redhead always close to a clergyman (8)
- 16 Brilliant rider turned up and prepared to follow Len (8)
- 17 With the last five playing on an occasion for celebration (8)
- 19 Films a nice setting around Maidenhead (6)
- 20 Musical group ready to accept poor Tex (6)
- 21 Hence returns to the quarry for some feathers (8)

Solution to Puzzle No. 5,760

ACROSS
1 CARPENTERS
5 RUSTY
9 ARISTOCRAT
10 HERTFORD
11 PRISON
12 AMERICAN
14 PRODUCER
18 TRAINING
22 STEEL
23 PUBLIC
24 PLANT
25 BOARD
26 LIED
27 FIGHTING

DOWN
1 COVER
2 STRIP
3 BIRD
4 PREACHER
6 INFORMED
7 DANGEROUSLY
8 SIGNED
13 ANSWER
15 REDHEAD
16 RIDER
17 CELEBRATION
19 FILMS
20 MUSICAL
21 FEATHERS

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LONDON STOCK EXCHANGE

MARKET REPORT

Steadier trend in electronic sector prompts general recovery among equity leaders

Account Dealing Dates

Option
Dealing from Dealings Day
June 17 June 22 June 23 July 2
July 15 July 22 July 23 Aug 5
*New listing dates may take place from 9.30 am two business days earlier.

The tone improved slowly yesterday as London equities made another effort to recover from the recent series of reverses brought about by the troubles of the UK electronics industry. Investors were cautious at the outset in view of the easier trend on Wall Street overnight and that market's closure for the July 4 Independence Day celebrations. Conflicting views on the outcome of the Prime Minister's speech started today, were another restraint.

Traders focused their attention on the electronic sector, which ultimately decided the market's course for the day. An adverse Press on STC caused dealers to lower prices of all electrical issues at the opening, but little fresh selling developed and professional bear-covering soon touched off a recovery. Cheap buyers were attracted and, although leading stocks settled below the best levels, the sector appeared to be steeling itself for another test today on the Thomson EMI preliminary results.

Other first-line industrials took heart from Lord Hanson's statement at yesterday's egn that Hanson Trust, which has a large market following, will record further excellent progress this year; the outcome of Hanson's £50m rights issue is keenly awaited. From midday onwards, the market faltered and values softened before hardening again in the after-hours trade. The pound's continued strength failed to check the advance in the upshot was that the FT Ordinary share index closed 9.6 up at the day's highest of 881.9.

Still in the throes of adjusting to the abolition of Capital Gains Tax, Government securities benefited little from sterling. Early business was completed without affecting the existing price structure in a market contemplating the likely outcome of the Breton and Redon by-election. During the afternoon quotations edged higher but final gains were minimal among both short- and long-term issues.

ATA Selection, a specialist employment agency, began life in the Unlisted Securities Market quietly and closed at 80p compared with the placing price of 80p.

Clearers up again

Clearing banks moved forward impressively, still drawing strength from broker's circulars forecasting good half-yearly figures when the clearing banks' clearing season gets under way at the end of the month. NatWest, scheduled to report on July 30, closed 12 higher at 690p, while Barclays' first 12 to 400p. Midland ended 8 better at 385p and Lloyds 7 to the good at 405p. Bank of Scotland added 15 at

385p and Royal Bank of Scotland put on 4 to 274p. Elsewhere, Standard Chartered rose 10 to 485p in response to Press comment.

Composites were outstanding in insurance as buyers began to show increased interest ahead of the half-yearly dividend season, which is due to start early next month. Specialist favourite Commercial Union put on 8 to 211p and Sun Alliance 12 to 713p, while rise of 18 and 22 respectively were seen in General Accident, 623p, and Royal, 885p. Lloyds Brokers rallied with C. E. Heath closing 15 better at 555p in the wake of the annual general meeting.

Regional Breweries were highlighted by fresh speculation in Welsh concern Buckleys which responded fresh to talk of Mr Nazzari Virani acquiring a stake with an advance of 5 to 630p, after 64p. Greene King held at the overnight level of 180p after revealing preliminary profits in line with most market estimates. Greene King's 1984-85 profits followed confirmation of the acquisition of West Midlands brewers J. P. Simpkins for £1.5m in shares and cash.

The recent low level of interest in the Building sector failed to expand, but quotations were often inclined harder. Rediffusion provided one of the few noteworthy movements with a gain of 6 to 271p, while Blue Circle, 515p, and BPE, 237p, both improved a few pence. Voco's, awaiting further news of the bid advance, rallied 2 to 56p. Among Chemicals, Allied Colloids, which suffered a sharp setback last week on disappointing preliminary figures, met with a revived selling and fell 15 to 183p.

Debenhams buoyant

The Debenhams / Burton imbroglio returned to the fore amid strong rumours that the bid, which has been a large factor in the market, will record further excellent progress this year; the outcome of Hanson's £50m rights issue is keenly awaited. From midday onwards, the market faltered and values softened before hardening again in the after-hours trade. The pound's continued strength failed to check the advance in the upshot was that the FT Ordinary share index closed 9.6 up at the day's highest of 881.9.

Another buoyant and eventful session in the electrical leaders saw Thomson EMI rally 15 to 344p in front of today's preliminary statement—the Board have forecast lower profits for the 1984-85 period, after a 12% increase in 1983-84. Plesey recovered from a lower opening level of 116p to close 6 higher on balance at 124p, while Baxi hardened a couple of pence to 125p, after 122p. STC, down 26p on Wednesday, began sharply easier at a 1985 low of 100p following a bad Press on the first-half profits warning, but

FINANCIAL TIMES STOCK INDICES

	July 4	July 5	July 4	July 5	June 28	June 29	Year ago
Government Securities	82.07	82.03	81.96	81.92	81.70	81.86	78.02
Fixed Interest	86.85	86.78	86.74	86.67	86.39	86.48	82.40
Ordinary	901.9	902.3	904.3	905.2	908.6	903.9	835.5
Gold Mines	405.7	407.2	406.9	408.0	405.1	403.8	352.4
Ord. Div. Yield	4.86	4.81	4.85	4.87	4.95	4.95	4.77
Earnings, Yld. (full)	12.18	12.31	12.17	12.30	12.36	12.41	11.07
P/E Ratio (full)	10.03	9.98	10.04	10.01	9.88	9.94	10.56
Total Share Rep. (1984)	19,648	20,091	21,009	21,109	21,668	21,266	15,456
Equity turnover £m.	1,966.70	1,976.76	2,084.20	2,100.20	2,100.20	2,100.20	1,824.84
Equity bargains	1,983.0	1,983.0	2,012.0	2,012.0	1,983.0	1,983.0	1,754.0
Shares traded (mb.)	156.1	156.1	156.1	156.1	156.1	156.1	156.1

10 am 842.8, 11 am 845.1, Noon 845.5, 1 pm 850.4.
2 pm 849.3, 3 pm 849.7.
Basic 100 Govt. Secs. 16/2/28. Fixed Int. 19/28. Ordinary 1/7/35.
Gold Mines 12/10/35. SE Activity 1974.
Latest Index 01-246 8028.
* Nil = 7.1.

HIGHS AND LOWS S.E. ACTIVITY INDICES

	1985	Since Compil'n	High	Low	Daily	5 Day	10 Day
Govt. Secs.	82.07	78.02	127.4	49.18	112.8	129.5	129.5
Fixed Int.	86.85	82.17	150.4	50.53	579.5	727.8	727.8
Ordinary	901.9	821.1	1,004.7	50.53	579.5	727.8	727.8
Gold Mines	405.7	340.7	754.7	43.5	127.1	134.3	134.3

recovered smartly to 114p on the appearance of buyers before closing a net 2 lower on the day at 110p. BICC having been relatively unscathed of late, came on offer and dropped 12 to 193p. Double-figure falls hit several second-tier stocks. Continental Microwave fell 15 to 310p as did MicroFocus, to 210p, while Logica declined 12 to 183p and Memec gave up 10 to 260p. Lee Refrigeration, on the other hand, rose 5 more for a two-day rise of 23 to 255p; speculative buying of the latter has been aroused by the death of director Mr David Purley. Elsewhere BSR picked up 5 to 60p.

Suggestions that U.S. financier Saul Steinberg may be building up a fresh stake in the company prompted a flurry of activity in Vickers, which touched 300p before settling 10 higher at 295p. Among other Engineering leaders, GKN improved 7 to 238p and Hawker were 6 better at 405p. Vespene, an erratic market since the announcement of preliminary figures, lost 20 to 180p. John Brown touched 37p before settling on a penny finer at 37p. 340 on further consideration of the Trafalgar House deal. Howard Machinery were temporarily suspended, at 7p, pending an announcement from the company.

Features were few in the Foods sector. Maynards, supported earlier this week following Press speculation of an imminent bid from Ward White, slipped 10 to 110p. Dealers reported a good two-way business in Energy Capital which improved to a 1985 high of 74p in the morning before settling on profit-taking and closing 2 on balance at 68p. In otherwise idle Plantations, Grand Central touched a new peak of 18p before closing 2 pence on balance at 15p following the disclosure that Peacock (London) had purchased 74.35 per cent of the company from Kurl Enterprises. Bertan, a minor movement on the day, ended 3 to 144p following full-year figures. Dealings in Kuala Lumpur Kepong were suspended, at 82p, after similar action in the Far East.

The closure of U.S. markets for the Independence Day holiday ensured a quiet day in mining markets. Bullion managed a minor improvement on the day and settled a net 25 cents firmer at \$310.75 an ounce. South African Gold continued to attract a steady stream of buying on the day, before closing 2 pence on balance at 15p following the disclosure that Peacock (London) had purchased 74.35 per cent of the company from Kurl Enterprises. Bertan, a minor movement on the day, ended 3 to 144p following full-year figures. Dealings in Kuala Lumpur Kepong were suspended, at 82p, after similar action in the Far East.

Thermal Synd. good Support materialised for selected miscellaneous industrial after a rather uncertain start. Beecham showed to advance 1p to 33p, while Glaxo, which had been a steady performer, rose 1p to 121p. The forecast of another excellent year gave a boost to Hanson Trust, which improved 4 to 185p. Renewed speculative demand ahead of the interim figures, expected soon, led TSL Thermal syndicate up 30 more at 280p, but Peacock ended 20p lower at 180p. Profit-taking clipped 7 from Macarthur Pharmaceuticals, at 180p, while post-announcement launch of a new range of computers in the U.S. brought a reaction of 5 to 130p in Applied Computer. Comment on the preliminary figures caused a further rise of 5 to 224p in Wedgwood. Wolverhampton Steam gained 4 to 48p on speculative interest but Satellite Speakers eased a penny more to 33p following the launch of a new range of computers in the U.S. brought a reaction of 5 to 130p in Applied Computer. 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FINANCIAL TIMES

WORLD STOCK MARKETS

EUROPE

Extended trek to new peaks

INTERNATIONAL investors continued their trek to new peaks on the European bourses yesterday as fresh summits were reached in Germany, the Netherlands, Switzerland and Italy.

The record-breaking run in Frankfurt was underpinned by solid foreign buying of financial and automotive stocks that took the midday calculation of the Commerzbank Index up 13.6 to 1,475.0.

VW's profit performance triggered a DM 9 jump to DM 280, another high for the year, while Daimler was mauled by profit-takers to finish DM 15 down at DM 882.50, ex its DM 10.50 dividend.

BMW's share price, which has underperformed the rest of the sector, jumped DM 13.50 higher to a 12-month peak of DM 458.50 on steady overseas demand.

In banks, Deutsche Bank traded a further DM 7 higher to DM 595, and Dresdner Bank extended Wednesday's high by a further DM 4.70 to DM 287.50, just off the day's high of DM 288.50. Bayern-erbankbank sparked with its DM 37 surge to DM 436.

In utilities, Veba scored another 1985 high with a DM 2 rise to DM 228 after consideration of its sales and profits figures for the first five months of the year.

Mannesmann eased DM 1.20 to close at DM 195.50 ex its DM 4 dividend, and insurer Allianz retreated DM 3 to DM 1,512.

The chemical sector, scene of frenzied buying earlier this week, saw the bulls active again with a DM 6.50 jump for BASF to a 12-month high of DM 232.70 while Hoechst settled just below its 1985 high with a DM 5.90 rally to DM 238.70. Bayer, which led the sector in the previous session, picked up DM 3.20 to another year's high of DM 238.

The bond market saw gains of up to 30 basis points as a shortage of paper was felt. Although foreign investors remained active, local demand continued to stem from interest-rate hopes.

The Bundesbank sold a substantial DM 121.8m of paper compared with Wednesday's DM 79.8m.

Amsterdam continued to bristle with records as the ANP-CBS General Index

U.S. markets were closed yesterday for the July 4 Independence Day holiday.

gained a further 0.9 to 219.0, its fourth consecutive peak.

Unilever extended Wednesday's high by a further 50 cents to F1 381, and Alko settled just below its 12-month high with a F1 2.80 rise to F1 117.20 after its purchase of a Warner-Lambert division.

Some other internationals eased, however.

In banks NMB and ABN both scored 1985 highs with rises of F1 2 and F1 1 to F1 200 and F1 472 respectively while Amro peaked at F1 84.60, a gain of F1 1.

Holec continued to enthrall the market as the electrical engineer jumped F1 9 to F1 254, a rise of F1 58 since Friday.

Bonds languished, and the CBS Bond index was unchanged at 108.5.

The mixed close in Zurich belied the record-setting session as the Swiss Bank Industrial Index added a further 1.6 to an all-time high of 454.60. The lack of U.S. investors was noted, and some ana-

lysts feel that the Swiss bull run may have exhausted itself.

Profit-taking reared its head in the banking sector as Swiss Bank lost SwFr 8 to SwFr 473 and Credit Suisse retreated SwFr 35 to SwFr 2,985. Insurer Winterthur slipped SwFr 75 from its Wednesday peak to finish at SwFr 4,575.

Alusuisse eased SwFr 5 to SwFr 780 amid plans to reorganise its UK operations while Schindler reversed the weakness of the previous session to add SwFr 5 to SwFr 915. Sandoz firmed SwFr 50 to SwFr 8,525, and Nestlé put on a further SwFr 50 to SwFr 6435.

A buoyant Milan extended trading by 90 minutes to cope with the heavy demand inspired by foreign and institutional investors. BI-Invest, particularly active, was suspended at L7,400 after wide price fluctuations. Fiat continued to benefit from rationalisation aspirations and moved 131 higher to 13,821. Retailer Standa, however, plunged 12,300 to L14,800.

Paris and Madrid eased while Stockholm turned mixed. Brussels continued to benefit from stronger utilities and oil issues.

LONDON

Electronics spark recovery

A PARTIAL recovery from losses recorded during the past two weeks boosted prices of equities in London yesterday, although investor confidence remained restrained.

Electronics stocks, which have led the recent retreat, led the way forward with Thorn EMI up 15p to 344p and Plessey 6p higher at 124p.

The FT Ordinary share index firmed 9.6 to 951.9 after being slightly higher earlier in the session.

Glits failed to respond to a further strengthening in sterling. During the afternoon quotations edged higher, but final gains were slight among both short and longer-dated stocks.

ATA Selection, a specialist employment agency, began trading in the Unlisted Securities Market and closed at 60p, compared with a 69p placing price.

Chief price changes, Page 24; Details, Page 31; Share information service, Pages 32-33

HONG KONG

LATE short-covering lifted share prices off their lows in Hong Kong after early weakness.

The Hang Seng Index finished 23.79 down at 1,574.37, after being 32.38 lower at the morning close as speculation about Hongkong and Shanghai Banking triggered speculative selling.

Market talk about possible police investigation of company officials was later denied by a company spokesman. The company's shares closed 15 cents lower at HK\$7.55.

Cheung Kong eased 30 cents to HK\$18.40, China Light 20 cents to HK\$15.70, Hongkong Land 10 cents to HK\$5.65 and Jardine Matheson 30 cents to HK\$11.10.

Hand Lung Development added 15 cents to HK\$7.10 and New World the same amount to HK\$7.20 after the announcement of plans to develop jointly properties at the Mass Railway Corporation's Island Line stations.

AUSTRALIA

A SHORTAGE of stock aided a further advance among leading industrial and mining issues in Sydney while reports of a weakening in the Federal Government's resolve to reform the tax laws also added strength.

Activity focused on retailer Myer Emporium, which traded 6.4m shares during what is understood to be a defensive move against a possible takeover move and firmed 16 cents to a record A\$2.57.

Banks were firm, with Westpac adding 5 cents to A\$4.20, National Australia 4 cents to A\$4.20 and ANZ 5 cents to A\$4.53.

Among leading mining stocks, Western Mining firmed 5 cents to A\$3.80, Aberlone 20 cents to A\$11.00 and Bongaiville 2 cents to A\$1.98.

SINGAPORE

CONTROL of the Singapore market remained firmly in the hands of sellers as prices eased across a broad front.

Sigma again topped the active list as it closed 6 cents lower at S\$2.38, while UOB, which was also actively traded, held steady despite selling pressure at S\$3.80.

Among leading losers, Shangri-la fell 8 cents to S\$2.17, Selangor Properties 3 cents to S\$1.49 and Consolidated Plantations 4 cents to S\$2.59.

SOUTH AFRICA

DECLINES in key interest rates held trading firm in Johannesburg.

The market's tone was also buoyed by strength in the international bullion market. Randfontein added R5 to R195 and Kloof R1.50 to R179.

Mining financials were also stronger, while diamond stock De Beers added 10 cents to R10.50.

TOKYO

Decisive drive forward

ACTIVE trading in property, finance and transport stocks and large-capital shares dominated the Tokyo Stock Exchange yesterday, pushing the Nikkei-Dow average to another record high, with the Nikkei 225 closing at 12,969.59 on volume of 524m shares, up sharply from Wednesday's 380m. Advances outstripped declines by 414 to 403, with 127 issues unchanged.

Biotechnology issues slipped on a

broad front, with Asahi Chemical falling below 1980. Blue-chip stocks also eased on a wide front.

The revival of buying interest in non-export issues can be attributed partly to the report of the Prime Minister's Advisory Council, which urged the Government to promote deregulation in areas including finance, transport and oil. Hopes of a reduction of crude oil prices by Opec at its meeting in Vienna today also contributed.

Deregulation-related property stocks rose sharply on a wide front. Mitsubishi Estate topped the active list with 21.52m shares, gaining Y49 to Y862.

Coming third on the list with 16.29m shares, Sumitomo Realty and Development jumped Y65 to Y863. Tokyo Tatemono, fourth with 13.20m shares, climbed Y103 to Y1,040. Mitsui Real Estate Development, tenth on the list with 8.05m shares, rose Y30 to Y855.

Brokerage and non-life insurance stocks also attracted buyers. Taisho Marine and Fire Insurance, was actively traded Y44 higher to Y823. Other gainers

included Yasuda Fire and Marine Insurance, up Y35 to Y827, and Nomura Securities, up Y30 to Y1,320.

Deregulation hopes sent Kawasaki Kisen up Y14 to Y787 and All Nippon Airways up Y18 to Y701. Sankyu gained Y80 to Y361.

Bond prices hovered around their high levels in response to the Bank of Japan's buying of about Y40bn worth of long-term government bonds to pump money into the market.

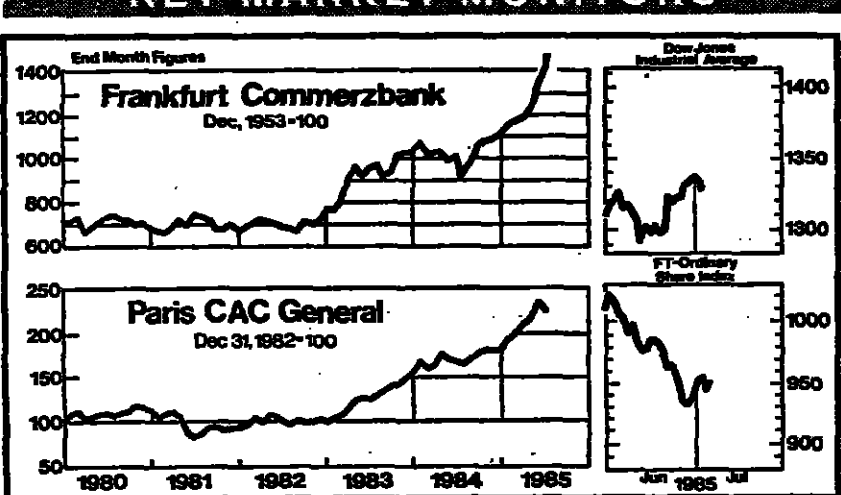
The yield on the 7.3 per cent government bond, one of the three bonds in which the central bank conducted buying operations, slipped to 6.375 per cent.

CANADA

THIN TRADING again prevailed in Toronto with business heavily influenced by the closure of Wall Street.

Bell Canada was the most active stock but traded unchanged at C\$43.4 while Nova Alberta added C\$4 to C\$80. Montreal was marginally firmer with turnover light.

KEY MARKET MONITORS



STOCK MARKET INDICES

	July 4	Previous	Year ago
NEW YORK			
DJ Industrials	closed 1,326.39	1,334.28	
DJ Transport	closed 675.09	679.42	
DJ Utilities	closed 155.25	154.37	
S&P Composite	closed 191.45	193.70	
LONDON			
FT Ord	951.9	942.3	833.5
FT-SE 100	1,249.1	1,239.3	1,065.1
FT-A All-share	602.13	596.52	497.85
FT-A 500	654.96	651.85	540.88
FT Gold mines	405.7	407.2	582.4
FT-A Long gilt	10.57	10.56	10.98

	July 4	Previous	Year ago
TOKYO			
Nikkei-Dow	12,969.59	12,924.3	10,375.8
Tokyo SE	1,035.5	1,029.10	789.39

	July 4	Previous	Year ago
AUSTRALIA			
All Ord.	874.7	869.3	663.4
Metals & Mins.	511.5	510.4	426.7

	July 4	Previous	Year ago
AUSTRIA			
Credit Aktien	100.80	102.56	53.95

	July 4	Previous	Year ago
BELGIUM			
Belgian SE	2,349.59	2,333.91	—

	July 4	Previous	Year ago
CANADA			
Toronto	1,870.5*	1,874.38	1,832.0
Composite	2,719.3*	2,719.36	2,214.1
Montreal	132.85*	132.86	108.11

	July 4	Previous	Year ago
DENMARK			
SE	200.69	200.86	181.76

	July 4	Previous	Year ago
FRANCE			
CAC Gen	221.5	223.5	171.4
Ind. Tendance	125.50	127.20	90.91

	July 4	Previous	Year ago
WEST GERMANY			
FAZ Aktien	498.53	495.03	340.98
Commerzbank	1,475.0	1,462.4	963.0

	July 4	Previous	Year ago
HONG KONG			
Hang Seng	1,574.37	1,596.16	850.33

	July 4	Previous	Year ago
ITALY			
Banca Comm.	342.06	338.26	208.39

	July 4	Previous	Year ago
NETHERLANDS			
ANP-CBS Gen	219.0	218.1	158.5
ANP-CBS Ind	164.6	163.1	127.2

	July 4	Previous	Year ago
NORWAY			
Osto SE	324.01	324.32	236.49

	July 4	Previous	Year ago
SINGAPORE			
Straits Times	764.38	765.17	901.0

	July 4	Previous	Year ago
SOUTH AFRICA			
JSE Golds	—	957.9	945.2
JSE Industrials	—	976.8	931.8

	July 4	Previous	Year ago
SPAIN			
Madrid SE	105.63	105.67	90.2

	July 4	Previous	Year ago
SWEDEN			
J & P	1,307.65	1,320.01	1,488.68

	July 4	Previous	Year ago
SWITZERLAND			
Swiss Bank Ind	454.6	453.0	362.5

	July 4	Previous	Year ago
WORLD			
Capital Int'l	218.5	215.5	174.0

	July 4	Previous	Year ago
GOLD (per ounce)			
London	\$310.75	\$310.50	
Zurich	\$310.75	\$310.75	
Paris (Baring)	\$311.28	\$310.27	
Luxembourg	\$310.75	\$310.25	
New York (Aug)	closed \$311.40		

* Latest available figure

CURRENCIES

	July 4	Previous	Year ago
(London)			
U.S. DOLLAR			
\$	—	—	1.5175
DM	3.0315	3.034	3.36
Yen	247.7	248.0	326.25
FF	9.2275	9.2375	12.14
SwFr	2.5435	2.542	3.475
Guilder	3.4155	3.42	4.4875
Lira	1,935.0	1,931.25	2,543.0
Scp	61.1	61.15	80.4
CS	1.3595	1.357	1.785

INTEREST RATES

	July 4	Prev
3-month offered rate		
£	12%	12%
\$	5%	5%
DM	5%	5%
FF	10 1/4%	10 1/4%
FT London Interbank fixing (offered rate)		
3-month U.S.\$	7%	7%
6-month U.S.\$	8%	8%
U.S. 6-Md Futures	closed 8	
U.S. 3-month CDs	closed 7.45	
U.S. 3-month T-bills	closed 6.39	

U.S. BONDS

	July 3	Prev
Treasury		
8% 1987	99 1/8	99 1/8
10% 1987	101 1/8	101 1/8
11% 1987	102 1/8	102 1/8
11% 1987	102 1/8	102 1/8
11% 2015	107 1/8	107 1/8
Corporate		
AT & T	101 1/8	101 1/8
10% June 1990	101 1/8	101 1/8
3% July 1990	80 1/8	80 1/8
8% May 2000	84 1/8	84 1/8
Xerox		
10% March 1983	100 1/8	100 1/8
10% May 1983	100 1/8	100 1/8
Diamond Shamrock		
11.80 Feb 2013	103 1/8	103 1/8
Alcoa		
12% Dec 2012	102 1/8	102 1/8

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
U.S. Treasury Bonds (CBT)				
8% 32nds of 100%				
Sept	77-08	77-23	77-04	77-10
U.S. Treasury Bills (TBM)				
\$1m points of 100%	92.94	93.03	92.89	92.93
Centrifugal of Deposit (NIM)				
\$1m points of 100%	92.35	92.44	92.32	92.35
LONDON				
Three-month Eurodollar				
\$1m points of 100%	92.06	92.08	92.04	92.12
20-year National Gilt				
\$50,000 32nds of 100%	110-14	110-15	110-11	110-12

COMMODITIES

	July 4	Prev
(London)		
Silver (spot fixing)	448.85p	451.00p
Copper (cash)	£1,076.75	£1,083.50
Coffee (July)	£1,815.00	£1,796.50
Oil (spot Arabian light)	\$26.70	\$26.65

AUSTRIA

	July 4	Price	+ or -
Creditanstalt	258	—	—
Gesellschaft	516	—	—
Industrialfond	1,880	—	—
Komm. Bank	516	—	—
Perinorbank	905	—	—
Styria-Bank	578	—	—
Volksbank	578	—	—

GERMANY

July 4	Price Frs.	+ or -	Degussa
B.B.I.	2,010	-----	D'ache Sebrock
Bank. Gen Lux.	6,300	-----	Deutsche Bank
Bank. Int. A. Lux.	6,000	-----	Dreudner Bank
Bekaert B.	2,570	-----	GHH
Ciment OBR.	2,570	-45	Hochtief
Cockerill	2,570	+7	Hochtief
Chemise	6,700	-240	Hoesch Werke
CB&L	2,000	-----	Holzmann (P)
Electrolux	6,770	+80	Hortman
Enbo	1,990	-----	

FINANCIAL TIMES SURVEY

A new government has brought a better investment climate to Canada, especially for foreigners. But a heavy budget has proved intractable. Quebec separatism has simmered down.

CANADA

Measurements of change

By W. L. Luetkens

CANADIANS elected a Government nine months ago which promised them change after the sharpest post-war recession, and freedom from endless bickering between central and provincial governments and between government and business.

How much of that change has been accomplished by the new, Progressive Conservative government of Mr Brian Mulroney, and how much is on the way?

A separatist challenge from Quebec has simmered down; a nationalist and discriminatory energy policy has been replaced by deregulation, and a restrictive policy towards foreign investment has been modified. A start—but no more—has been made with reducing unsustainable budget deficits.

Atmosphere

Above all, there has been a change in personalities, in style and atmosphere greatly supported by the world economic revival begun before the change of government in Ottawa last September.

Mr Pierre Trudeau, who had become almost a fixture as Prime Minister, has returned to Montreal and a law practice. His great opponent, Mr René Lévesque, Premier of French-speaking Quebec, now a tired man, is relinquishing office and leadership of the separatist party. In Ontario, the other

manufacturing province, a Conservative regime was ousted after 42 years in power.

Mr Trudeau's place in history is secure. He wrestled down a separatist challenge from Quebec, though that does not mean that Quebec nationalism is dead. But on the way, Mr Trudeau aroused enemies not only in Quebec but also in the Canadian West which felt neglected by all the attention given to the quebecois.

The change from Mr Trudeau to Mr Mulroney could hardly be more pronounced, except on a key point. Both are bilingual in English and French, and both make it an issue of principle that the French-speaking minority in Canada and the English-speaking Quebec must have their minority rights protected.

But Mr Mulroney has shown himself to be essentially a man of compromise. When Mr Lévesque realised that support for Quebec independence was crumbling and made conciliatory gestures towards Ottawa, Mr Mulroney did not reject them with the frosty aloofness of a Trudeau. The door is open for a deal which will allow Quebec to subscribe to the Canadian constitution Mr Trudeau engineered.

But Mr Mulroney is not in a hurry. He has no reason to plunge into negotiations with an enfeebled Quebec provincial Government which faces the prospect of defeat in elections within months.

On the world stage, the Mulroney Government will also

play a role different from that of its predecessor. It takes a more positive attitude to Nato, of which Canada is a founder member, and has decided to increase the Canadian force in Germany.

Ottawa is also trying to achieve more cordial relations with the U.S. than the prickly Mr Trudeau entertained. But the limits have already become visible. The invitation to join in Washington's Star Wars, the Strategic Defence Initiative to create a defence against intercontinental missiles, has not yet been answered but was received with some misgivings. When the U.S. declared a trade embargo on Nicaragua, Canada refused to join it.

Independence

As a man given to compromise, Mr Mulroney cannot ignore the parameters within which Canada, historically, has conducted its policy. Good relations with the U.S. are essential—but Canadian independence requires that they should not become too close.

Ever since the war, Canada has played a role of some significance in the world as a medium power with a measure of independence from the big blocks. Mr Lester Pearson, Prime Minister in the 1960s, turned Canada into the "helpful fixer" available to help settle the quarrels of others. Mr Trudeau sought to build bridges between East and West and between North and South.

Mr Mulroney sees Canada's role in the world as one of sup-

port for the country's allies, but adds that Canada has a special role in its traditional area of peacekeeping in the UN framework. That may not sound especially thrilling, but it does demonstrate that Canada did not change fundamentally overnight when the Liberals were turned out last year.

A similar pattern has emerged in economic policy. Many Conservatives wanted the Government to prune the welfare system drastically to reduce budget deficits. The Prime Minister would not go along with that.

Eventually some cuts were made in the budget tabled on May 23. But when there was an outcry against the proposal to shave old age pensions.

That episode apart, the budget proved to be less draconian than the advance publicity, though it did make a start with reducing the deficit and with measures intended to transfer resources from consumption to investment. Doing so was part of a triple strategy consisting of spending cuts, of the deregulation of oil and gas prices, and the relaxation of controls on foreign investment.

An agreement with the oil-producing province of Alberta to move the Canadian oil price to world level and to reduce the tax burden on oil companies has already shown results. Exploration activity is increasing. Eventually that should benefit manufacturing and the national economy at large.

CONTINUED ON PAGE 2

PROFILE: BRIAN MULRONEY

Personal style under attack



Brian Mulroney: issues on which to stand

MR BRIAN MULRONEY has unmistakably put his own stamp on the conservative administration in Ottawa. The Prime Minister's office has been enlarged since the Tories came to office, and Mr Mulroney and his staff have taken a close interest in the affairs of his Ministers.

The Prime Minister has not hankered at publicly contradicting some of the most senior among them. As a result public criticism of the new Government for lack of decisiveness has tended to revolve around the personal style of the Prime Minister—his fascination with public opinion polls and his own media image, and his apparent determination to steer clear of confrontation.

Mr Mulroney strongly defends his style of government: "I think there's a certain macho style that has invaded politics where strength and leadership are in some way equated with knocking down straw men. I don't go in for that."

On the other hand, Mr Mulroney says, there are some issues "where you stand or fall." One—not surprising for an Anglo-Canadian born and raised in Quebec—is the question of minority rights. Mr Mulroney has offended the Conservative Party in Manitoba (though he won wide support elsewhere in the country) by rejecting its opposition to extending French language rights in the prairie province.

"That to me is the kind of issue on which there is no compromise," he insists.

Mr Mulroney, 46, won a reputation as a conciliator before entering politics. Trained as a lawyer, he participated in a commission charged with investigating corrupt labour practices in the Quebec construction industry. Labour issues occupied much of his time as president of a U.S.-owned iron ore producer.

Mr Mulroney stresses his achievements in mending

fences between Ottawa and western Canada. The West had been Mr Pierre Trudeau's pre-occupation with Quebec, and by his interventionist energy policy. Last March's Western Energy Accord, giving generous tax concessions to oil and gas producers, has helped to restore western goodwill. Westerners make up half the federal cabinet. Near the end, Mr Trudeau was hard put to find any westerners to serve.

Mr Mulroney clearly expects the west to support him on matters such as constitutional talks with Quebec. If (western Canada) is back in the family, he says, Quebec is out. "I can only get them back with (the West's) help."

Mr Mulroney's views on other issues:
● Critical reaction by business to the budget: "It's difficult when you're trying to run a government to be told one day that costs must be contained, waste must be eliminated and cuts made, particularly on the social side, and then when it's done to be told: 'Well, you've gone too far.'"

● Canada's role in international politics: "I see it as one of substance, but I view it also with a sense of realism and a sense of modesty. I have no illusions about the kind of world we live in, dominated by superpower politics, but I think we can be extremely helpful in the process."

● Mr Mulroney says he is conducting an "ongoing correspondence" with Mr Mikhail Gorbachev, the Soviet leader, who visited Canada three years ago.

● Moves towards freer trade with the U.S.: "It's the priority of the Government over the summer months. We know we must secure an enhanced share of the American market." Canada needed to protect itself against the protectionist instincts of the American Congress.

BERNARD SIMON

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CANADA 2

Strong bid by Ottawa to restore growth

Economy
W. L. LUTKENS

THE NEW Canadian Government has launched its bid to restore growth to an economy which suffered more than most during the recession of the early 1980s.

A list of spending cuts and a budget intended to transfer resources from the public to the private sector have been put forward. They coincided with a cyclical rebound caused largely by strong export demand from the U.S., Canada's most important foreign customer by far.

When he introduced his first budget on May 23, Mr. Michael Wilson, the Progressive Conservative Minister of Finance, crisply defined the underlying difference of philosophy between his party and its Liberal predecessors in power at Ottawa. "This Government," he said, "wants individual Canadians to pick the winners within a tax framework that rewards success."

So, among other things, he cut into the system of industrial subsidies. This year, federal expenditure to that end will be reduced by C\$100m (about \$58m); in the financial year beginning next April the amount will rise to C\$150m. The key measure intended to encourage entrepreneurship and risk-taking is the phasing in over several years of a life-time exemption from capital gains tax for individual Canadians amounting to C\$500,000.

Mr. Wilson calculated that taken overall his measures would reduce a budget deficit that would have amounted to C\$38bn in 1985-86 to C\$33.8bn. At either level, the deficit is among the highest in the industrialised world on a per capita rate. On the strength of Mr. Wilson's figures it will be cut by 11 per cent in 1985-86. That would be nothing short of draconian.

The extent of the reduction is diminished to 5 per cent if Mr. Wilson's figure for 1985-86 is compared with the actual deficit in the previous year. Moreover, of the 5 per cent, one point is attributable to planned privatisation measures. The residual cut of 4 per cent

looks a good deal less draconian, but is probably as deep as was feasible politically. With three to four years to go before they need to face an election, Mr. Wilson and the Tories are in a good political position to follow up the beginning they have made.

Economically the story might be somewhat different. If, as many though not all forecasters believe, the U.S. economy slows down in 1986, the Canadian economy might also run out of steam. In that case pressures would build up on Ottawa not to continue the deficit cutting exercise.

Possible economic reasons for going easy apart, Mr. Brian Mulroney's Government has proved very sensitive to public criticism. When Mr. Wilson's budget proposal to save money by a partial de-indexation of old age pensions caused a public outcry, the Prime Minister was quick to hint that the idea might be dropped.

The dilemma caused by a possible economic slowdown late this year and in 1986 could be aggravated if President Reagan's proposed measures of tax reform in the U.S. go ahead.

By comparison with the U.S. Canada is a high-tax country. If the disparity were to increase, distortions would inevitably be caused, given the intimate economic links between the two countries. In an interview with the Financial Times Mr. Mulroney said that this problem would have to be addressed in the long run.

On balance, the Canadian business community appears to have approved Mr. Wilson's fiscal proposals though the pleasure was not unalloyed. A temporary surcharge on corporate and high-rate individual income taxes caused surprisingly few complaints. The partial de-indexing of old age pensions and family allowances was seen widely as a politically unwise and financially inadequate substitute for a more fundamental

attack upon social welfare. But this is an area where Mr. Mulroney's hands are tied: during the election campaign of 1984 he declared the "universality" of social benefits, meaning that there should be no means testing to ensure that they are reserved for those in genuine need, to be a "sacred trust." The clear implication for the future is that Mr. Mulroney is averse to measures of radicalism.

Mr. Wilson's budget must be seen in context with two other important measures introduced by the Tories (both of which are dealt with elsewhere in this survey). The deregulation of oil prices and the impending deregulation of natural gas will, it is hoped, greatly encourage energy development with a consequent spillover into demand

for capital goods. Investment is also intended to benefit greatly from a liberalisation of legislation for the screening of foreign investment in Canada. By and large foreign investment in new ventures (as opposed to takeovers) is to be exempted from screening.

The impact of the budget as introduced upon the exchange rate of the Canadian dollar is likely to be neutral. The currency has not performed well in spite of an unusually strong Canadian external current account. The Canadian dollar has slid to a range about 73 U.S. cents from 80 U.S. cents at the outset of 1984. Canada does almost three-quarters of its foreign trade with the U.S., so that is the rate that matters.

Occasionally a case is made for a further depreciation of the Canadian dollar to stoke up export demand and to permit Canada to let its interest rates drop below those obtaining in the U.S. The inevitable consequence would be higher prices, but — so the argument runs — the impact upon industry's costs would be cushioned because continuing high unemployment has weakened the bargaining

power of the unions. This is not a view shared in the Bank of Canada, which has attempted to spread the impact of high U.S. interest rates between the exchange rate and Canadian domestic interest rates. Mr. Gerald Bouey, Governor of the bank, stated plainly in a speech on June 3 that "exchange rate depreciation that risks a loss of confidence in the Canadian dollar is... likely to bring about higher, rather than lower, interest rates in Canada."

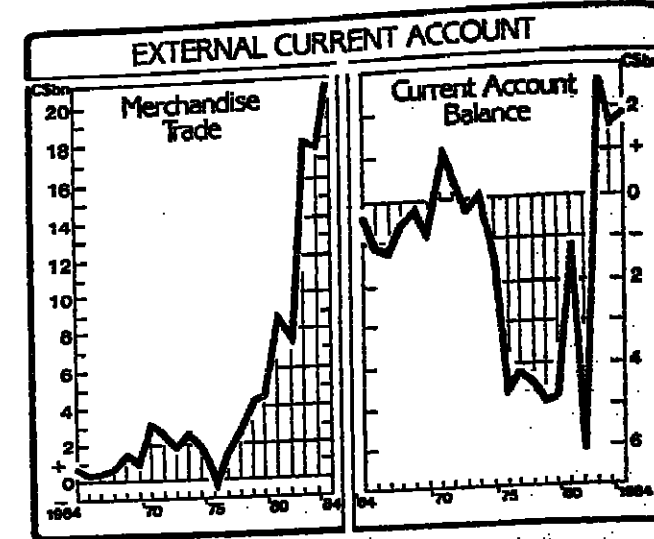
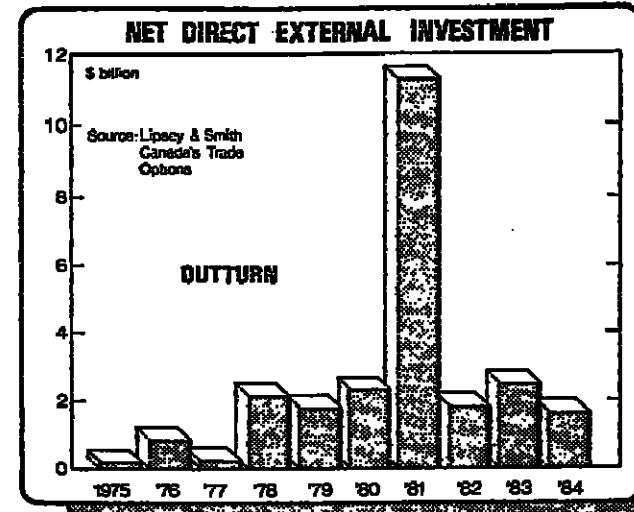
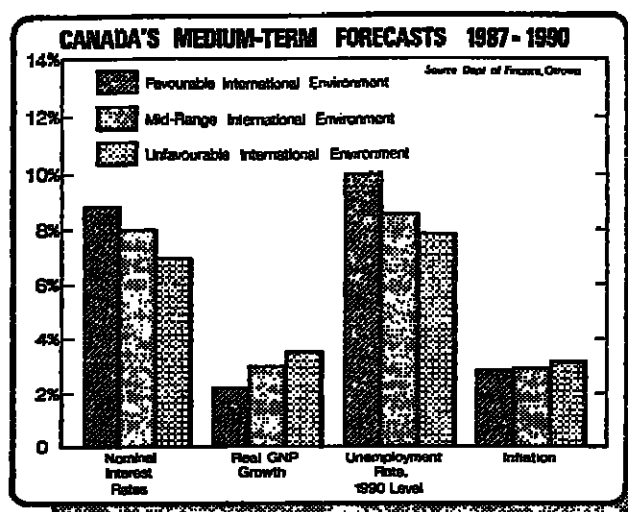
From the point of view of the domestic economy, the key question is whether the cyclical position combined with the budget strategy will suffice to encourage businesses to invest in plant and equipment.

Profits are strong this year, and surveys of investment intentions look encouraging, though they start from a low base. During the first quarter, wage settlements were averaging out at rises of only 3.2 per cent.

Besides, the return to power in Ottawa of the Conservatives has improved morale in the business world. So some of the main pre-conditions for a revival of capital spending and,

hence, a better balance between export and home demand, do exist.

At the time of his budget Mr. Wilson forecast that non-residential business investment would increase by 4.6 per cent this year and another 4.4 per cent next. If so, he will be able to claim an important success for his budgetary strategy.



Canada's trade with the U.S.

	Exports	Imports	Balance
	C\$bn	C\$bn	C\$bn
% of Total	% of Total	% of Total	% of Total
1980	48.3	48.6	-0.3
1981	55.5	54.5	+1.0
1982	57.7	47.9	+9.8
1983	66.3	54.1	+12.2
1984	82.8	68.5	+14.3

Source: Statistics Canada

Short-lived honeymoon for Mulroney

Politics
BERNARD SIMON

THE Progressive Conservative Party's sweeping victory in last September's Canadian federal election, giving it control of three-quarters of the seats in the House of Commons, appeared to set the stage for a long honeymoon with the public.

Historians may record, however, that the Mulroney government's honeymoon lasted only a little longer than that of most newly-married couples. The first nine months of the Tory administration in Ottawa have been marked, not by a heady ride on last September's wave of popularity but by a series of controversies in which the Government has often been forced on the defensive.

Some — like the resignation of the defence minister after a little longer than that of most newly-married couples. The first nine months of the Tory administration in Ottawa have been marked, not by a heady ride on last September's wave of popularity but by a series of controversies in which the Government has often been forced on the defensive.

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term was dogged by hasty positions taken on such diverse issues as moving the Canadian Embassy in Israel to Jerusalem, privatisation of the national energy company Petro-Canada and, finally, a budget proposal to raise fuel taxes.

Mr. Mulroney, a conciliator by nature and background, tried in the months after the election to build a consensus on some of the tough issues facing the new Government. A "summit" of business, labour, consumer and academic leaders was called to advise the Government on its economic strategy. Studies have been commissioned on foreign policy, trade with the U.S. and parliamentary reform.

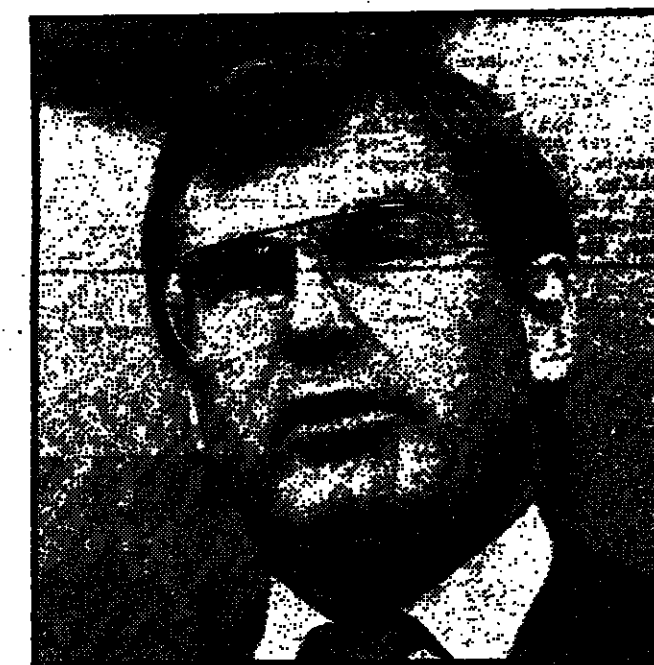
Not surprisingly, the economic "summit" failed to reach any agreement. A Green Paper on foreign policy published recently was immediately nicknamed a Grey Paper, reflecting the colour of the publication's cover and the wishy-washy nature of its contents. Consultations on U.S.-Canadian trade are continuing, but given the disparity of views between west and east, between business and labour, the chances of formulating a position favoured by all interests are minimal.

Despite the difficulty of finding common ground, forces for compromise are still at work. The swollen Tory caucus includes a number of diverse interests, ranging from small business men to a Red Tory with their roots in the prairies and — the newest arrivals — more than 50 francophone MPs from Quebec. The party's strong attachment to public opinion polls also lessens the chances of radical policies finding favour in the government.

These cross-currents were apparent shortly after the Tories took office in the government's attitude towards universal means tested social programmes, up to now a cornerstone of Canada's

generous welfare system. Mr. Mulroney won wide support from the business community by pointedly asking whether a bank president earning C\$600,000 a year should receive the cash "baby bonus" paid to all Canadian parents. Hopes that the government was about to square up to the universality issue as a rich source of budget savings were soon dashed, however. Mr. Mulroney backtracked to an earlier position that universality is a "sacred trust."

His about-turn on this issue was the first of several by which the government has dismayed its supporters, given the appearance of weakness to its opponents and created frictions within its own ranks.



Mr. Michael Wilson, the Finance Minister and a former member of the Toronto investment community, has taken on the herculean task of reducing a budget deficit that had become unmanageable. His first budget, tabled last May, was well received, but it contained a proposal to trim old age pensions which was subsequently overturned by Mr. Mulroney.

More recently, it has found itself at the centre of a storm over old-age pensions. Mr. Michael Wilson, Finance Minister, proposed in his May budget that pensions (and other social security payments) should be partly de-indexed, with annual increase linked only to the amount by which the inflation rate exceeds 3 per cent. The proposal was expected to save the government about C\$2bn a year by the end of the decade.

Within a week or two, opposition to the budget had coalesced around the pensions issue. Even business groups, supposedly in the vanguard of support for budget cuts, criticised the government for victimising the elderly.

The corner into which the government had painted itself was aptly summed up by the Toronto Globe and Mail: "Had the Prime Minister not suspended his critical faculties on universality, Michael Wilson could have reformed old age income programmes to save Ottawa money while adding to the income of the poor."

Mr. Wilson, whose first nine months as Finance Minister have left a cloud over his political future, made matters worse by insisting that many pensioners favoured his proposals. He was not able to produce any.

As the protests mounted (and the results of opinion polls flowed in), the government once again began to retreat. By mid-June, Cabinet ministers were insisting that pension de-indexing was only a "proposal" and that economic trends would be monitored before its implementation. Then, finally the proposal was abandoned, raising doubts on how serious the government is about its commitment to cut the yawning federal deficit.

Recent newspaper polls point to a significant decline in the Tories' popularity since the election, although they remain far ahead of the two opposition parties. The low ideological content of Canadian politics makes voters a fickle lot, so the Tories' fortunes over the next few years will be closely tied to their ability to come to grips with the problems facing

the country, especially economic ones. They were in the fortunate position last September of having conservative allies in control of the government of all but two (Manitoba and Quebec) of Canada's 10 provinces. Seldom in Canadian history has a federal government enjoyed support from provincial authorities in the west-east and centre of the country simultaneously.

In a nation where rivalries between federal and provincial governments are strong and the provinces have significant powers in fields such as energy, education, and international trade, provincial premiers can make or break federal government programmes.

The federal Conservatives' room for manoeuvre may thus be limited by the recent change of government in Ontario (where a Liberal/Proton Democrat alliance has ousted the 42-year Tory dynasty) and by forthcoming elections in Quebec where — barring a dramatic turnaround — the Parti Quebecois will lose power to the Liberals. Right-wing administrations in British Columbia and New Brunswick may also not survive the next elections in those provinces.

Ontario and Quebec between them are home to more than half of Canada's total population and their views cannot be disregarded on some of the key issues which are likely to confront the Mulroney government in the years ahead, including free trade with the U.S., energy prices and industrial development strategy. Ontario's support will be crucial for any constitutional agreement hammered out between Ottawa and Quebec. Constitutional amendments require the backing of at least seven of the Canadian population.

The next federal election need not be held until 1989. There is thus plenty of time for the Conservative government to regain its stride. The major reforms already initiated in the fields of energy and foreign investment may prove to be more lasting than the government's difficulties in its first nine months in office.

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Public sector enterprises being sold off

THE Progressive Conservative government has pleased business interests by moving quickly to scale down the public sector's extensive commercial and industrial activities.

Within two months of taking office last September, Mr. Sinclair Stevens, the Industry Minister, dismissed the chief executive and several members of the board of the state-owned holding company, Canada Development Investment Corp (CDIC).

A Calgary oil company executive, Mr. Paul Marshall, has been given the job of selling off CDIC's prime assets, including its wholly-owned aircraft manufacturing subsidiaries, de Havilland and Canadair, Canada's international telecommunications company Telelobe Canada, and the uranium producer Eldorado Nuclear.

The government has also given notice that it plans to privatise Canadian Arsenal, an armaments manufacturer, and announced in May that it will soon sell the bulk of its 47 per cent voting interest in Canada Development Corp, the sprawling holding company with interests in energy, mining, petrochemicals, office equipment and biotechnology.

Finance Minister, Mr. Michael Wilson, said in his May budget that the government's privatisation policy will be based "on the premise that a Crown corporation or other equity investment should be sold unless it is fulfilling a public policy purpose." A ministerial task group headed by Treasury Board president Robert de Cotret has been set up to map out a plan to sell or streamline Ottawa's business interests.

Industrial policy

BERNARD SIMON

The group has a wide field to cover. The federal government alone controls about 300 business enterprises, ranging from the national airline Air Canada and the energy company Petro-Canada to relatively obscure companies developing the Montreal and Vancouver waterfronts and providing a range of services to remote Arctic communities.

Provincial governments, too, are heavily involved in commercial activities. They control liquor distribution (Quebec is about to turn over its liquor stores to private investors), have interests in oil and other natural resource producers, and own shares in a number of airlines and railway companies. The Ontario government owns the Urban Transportation Development Corp, a large manufacturer of commuter rail equipment.

Besides sensing that Canadians generally support a reversal of the public sector's business activities, the government recognises the contribution that privatisation may make to reducing its yawning budget deficit.

The sale of Canadian Arsenal, CDC, Telelobe Canada and a northern transport company is expected to reduce the government's cash needs by \$800m and the deficit by \$350m in the current fiscal year. The book value of Ottawa's investments in de Havilland, Canadair, Eldorado Nuclear and 5m Massey-Ferguson preferred shares totals another \$800m.

Ottawa expects to begin a public offering of 23.8m CDC common shares later this summer, through a group of Canadian securities dealers, headed by Burns Fry of Toronto. Canadian Pacific and Canadian National, the two transport companies which also have telecommunications interests, have made a pitch for Telelobe Canada.

But finding buyers for the other assets on the block appears to be taking longer than the government initially expected. About 20 potential investors have shown some interest in de Havilland, and a dozen in Canadair and Eldorado. Among the foreign companies eyeing the two aircraft manufac-

turers are Messerschmitt-Bölkow-Blohm of West Germany and Boeing.

Mr. Marshall cautioned at the end of May, however, that the expressions of interest had not yet matured into firm negotiations. "We're not at what I would call negotiating stage with anyone," he said. "We're not talking terms and conditions, or dollars and cents."

One problem is that some of the companies have experienced substantial marketing and financial difficulties. De Havilland has suffered losses totalling \$227m in the past two years, while Canadair has found few customers lately for the Challenger executive jet, which contributes about two-thirds of its revenues.

The two companies have been rescued several times in the past three years by financial support from the federal government. In an effort to improve Canadair's attractiveness to potential buyers, Ottawa has agreed to purchase its unsold stock of early model Challenger aircraft.

Despite its professed commitment to a market-oriented economy, the Tory government has found itself under pressure to prop up several other troubled companies, especially in the hard-pressed eastern Canadian petrochemical industry. It is expected to seek assurances from prospective investors in De Havilland and Canadair that the companies will not be summarily closed or large numbers of workers laid off when they are returned to private ownership.

Not all Canadian Tories are devotees of the market and the idea has even been floated off in Ottawa that domestic producers who are in trouble, such as makers of footwear and clothing, might be guaranteed some portion of the domestic market. That issue remains to be fought out in Cabinet.

Governments at both federal and provincial levels continue to play a crucial role in industrial development through their generous (and, in the case of the provinces, often highly-competitive) network of grants and other financial support to private investors.

The main conduit for federal assistance, the Industrial and Regional Development Programme (IRDP), provided grants worth \$255m for 974 projects in the year to March 1985. The biggest handout was a \$98.5m contribution towards construction of an American Motor assembly line in Brampton, near Toronto.

Official financial support has been a key element in efforts to attract foreign investment to Canada and stimulate regional development. Benefits are graduated according to the part of the country in which a project is located, and are especially generous for ventures to develop new products and processes.

In this area too, the government is gingerly trying to reduce its commitments. The IRDP budget was due to rise to \$344m this year, with the industry department's total allocation for grants and "contributions" running at close to \$41m.

The May budget has proposed a cut of \$310m this year and \$315m in 1986-87, centred on the IRDP and a programme for defence contractors.

Although the cutback appears substantial, a senior industry department official says that no "major" curtailment of programmes is anticipated. "When funds are tighter, you priorities a little more rigorously," he observes.

The full impact of the cuts will not be felt immediately because of the practice of paying recipients only when a project enters commercial production. In any case, Ottawa has recently shown that there is more than one way of handing out favours. The industry department earlier this year refused a \$310m grant to the Quebec forest products company Domtar to modernise one of its plants. But in the face of strong political pressure, the government did agree to provide a large interest-free loan.



Bob White: convinced that the decision to split from Detroit was the right one.

Hero with the grassroots touch

Mr Bob White, Canadian director of the United Auto Workers trade union, has become something of a national hero in Canada.

He won wide respect — even from some business leaders — for his leadership of his union's 120,000 members from the Detroit-based UAW, paving the way for an autonomous Canadian motor industry union. In a country where U.S. influences pervade (and often dominate) many walks of life, anyone cooking a snook at a powerful institution south of the border and getting away with it is assured of celebrity status.

Mr. White insists that "it's not comfortable doing what I'm going to do." He points out that he no longer has the "luxury" of being able to refer tough decisions to Detroit. On the other hand, there is clearly no doubt at all in his mind that the decision to split from the UAW, taking about 10 per cent of the U.S. union's membership with him, was the right one.

"At the grassroots of all unions (in Canada), I think there's been a sense of excitement," Mr. White says, adding that "organising has picked up dramatically. A lot of people have said: 'We'd like to join Bob White's union.'"

Although Canadian workers had to accept some pay cuts and widespread layoffs during the recession, the country's

trade unions have not been weakened as much as those in the U.S. Canadian union membership has risen from 3.4m to 3.7m in the past five years, and union members accounted for 39.6 per cent of non-farm workers last year, compared to 37.6 per cent in 1980.

According to Mr. White, U.S. unions are on the defensive "because they didn't draw the line soon enough." He argues that Canadian unions have shown more spunk. In

UAW leadership grew when Canadian GM workers staged a 12-day strike, crippling the company's assembly lines throughout North America.

Despite the integration of automakers' North American production facilities in the past 20 years, substantial differences have emerged on labour issues between the U.S. and Canada. The decline of the Canadian dollar and state-subsidised health care in Canada were major planks in Mr. White's

other U.S.-based groups. (About 40 per cent of Canadian trade unionists belong to such "international" unions, including workers in the steel, rubber and forest products industries.)

The proposal has so far not borne fruit and Mr. White concedes that the UAW split may make many Canadian members of other "international" unions nervous about co-operating with him for fear of offending their U.S. brethren. Mr. White predicts, however, that "other international unions will have to rethink what they're going to do."

Mr. White is a vice-president of the mildly socialist New Democratic Party, the smallest of Canada's three main political groups.

He is currently trying to mobilise opinion against the Mulroney government's policy of seeking free trade between Canada and the U.S. "I'm pushing the labour movement to articulate why we're opposed to free trade with the U.S.," Mr. White says.

He argues that Canadian exporters already have all the access they need to the U.S. market when demand is strong, and that a free trade agreement would crumble under U.S. protectionist pressures at times when America has excess production capacity.

Bernard Simon

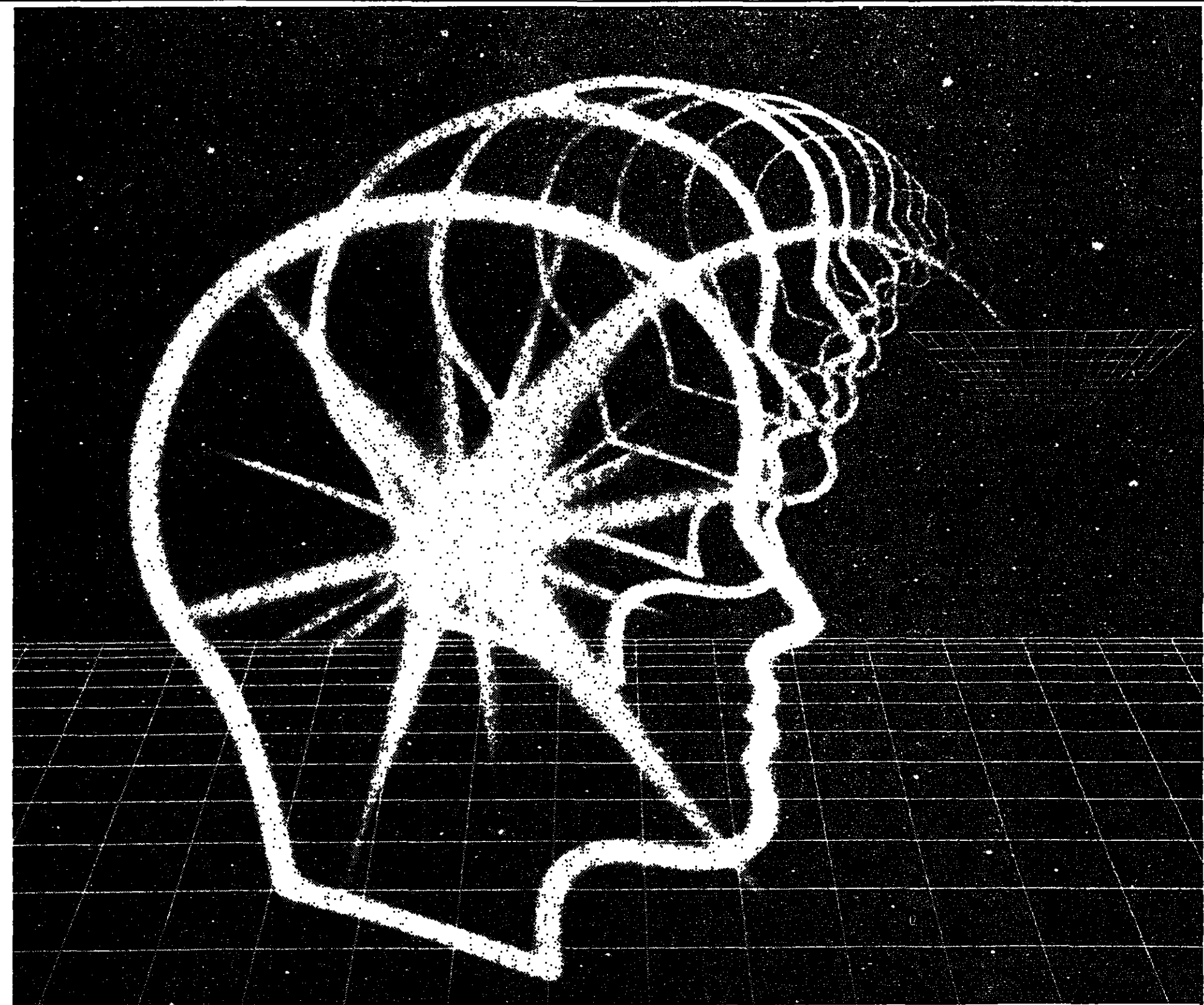
PROFILE: BOB WHITE—DIRECTOR, UAW

1981, Mr. White—then still a member of the UAW's international executive board—cast the only vote against concessions to Ford and General Motors. He views the crucial milestone in the divergence between U.S. and Canadian negotiators as the Canadian union's refusal to accept concessions offered by U.S. car workers to Chrysler in 1982, a stand that culminated in a five-week strike.

The final split with Detroit came after a similar disagreement in talks with GM last October. Canadian workers rejected innovative job security and profit-sharing elements of GM's U.S. settlement, preferring a more traditional combination of guaranteed wage increases and cost-of-living allowances. Friction between Mr. White and the

argument that GM's labour costs were lower in Canada. Job security has been a less sensitive issue among Canadian motor workers, who were virtually unaffected by layoffs during the last recession. Settlements in commerce and industry currently average a modest 3.2 per cent a year.

The first test of UAW Canada's negotiating skills as an autonomous unit will come next month when talks start on a new labour contract with Chrysler. The present agreement expires in mid-October. Mr. White's ambitions stretch beyond the creation of an indigenous motor industry union. Two years ago, he proposed forming a federation of metalworking unions, including the local Canadian branches of half a dozen



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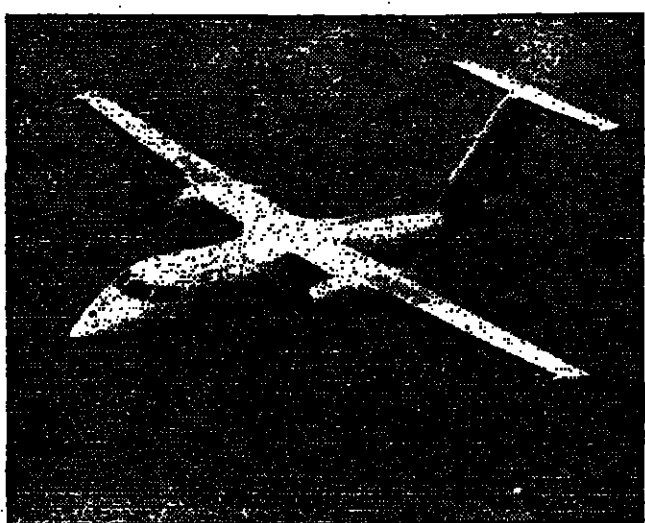
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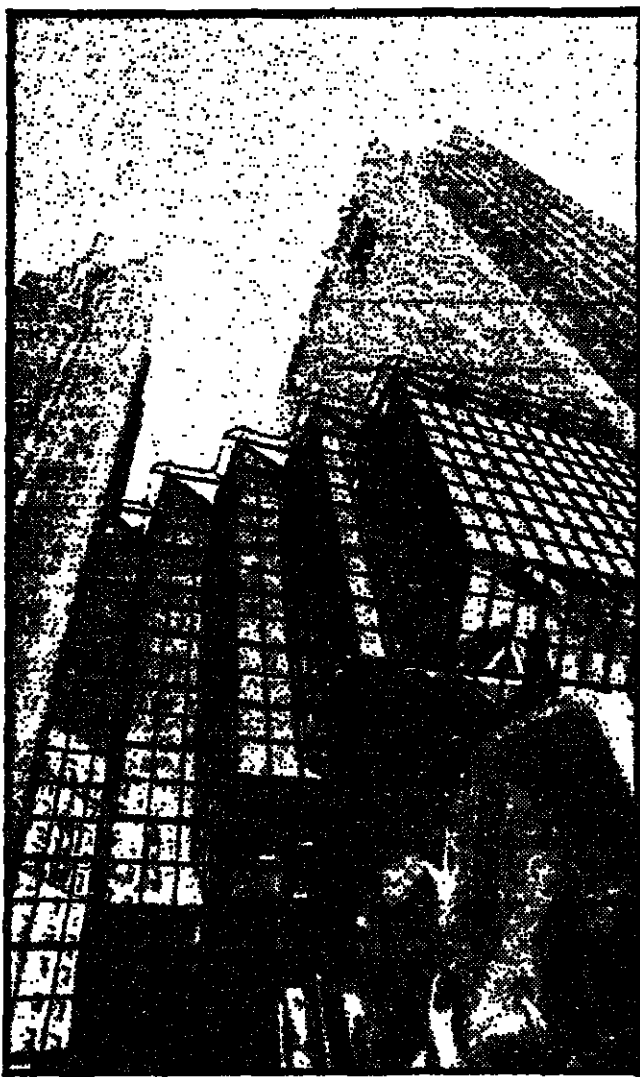
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CANADA 4

Optimistic forecasts come unstuck



Terry Kirk

The Royal Bank in Toronto. Canada's banks had more bad news when the federal government published its proposals for sharpening competition among the institutions.

CANADA'S financial institutions are passing through an unsettling period marked by uncertain business prospects and a lack of clarity about the future shape of the country's financial system.

Forecasts that 1985 would be a quiet year of gradually improving earnings began to come unstuck in March when the federal government and the country's six largest banks hastily put together a C\$255m package to have the small Canadian Commercial Bank of Edmonton, from collapse.

CCB's troubles have been a sharp reminder that the legacy of the prolonged energy and real estate slump in western Canada is by no means past. Royal Bank, whose net income slipped by 10 per cent in the three months to April 30 compared to the same quarter in 1984, pinpointed the financial difficulties of borrowers in these two sectors as a key reason for the decline. Its non-productive loans have risen by C\$200m in the past year to C\$2.8bn.

In addition, several trust companies in the western provinces have closed their doors in recent months and the Alberta government has stepped in to prop up a number of credit unions (co-operative savings and loan institutions).

The authorities have taken a number of steps to prevent these tremors rippling through the rest of Canada's financial system. The country's last bank failure took place more than 50 years ago, but regulators are clearly concerned that current problems in the West and the much-publicised difficulties of U.S. institutions could threaten the reputation and stability of the Canadian system.

By mid-June, the Bank of Canada had advanced almost C\$1.2bn in short-term loans to CCB and a handful of other banks to tide them over heavy withdrawals by nervous depositors. Ottawa has also bent the

rules of the Canada Deposit Insurance Corporation by reimbursing all depositors in some of the failed trust companies. CDIC's coverage is normally limited to deposits below C\$80,000. The corporation, now deeply in the red, is currently the subject of an urgent government review.

The banks received further bad news in April when the federal government published its proposals for sharpening competition among Canada's financial institutions. The recommendations—to be discussed with the private sector

Financial institutions

BERNARD SIMON

before becoming law—leave no doubt that the authorities want to give more leeway to three of the traditional four pillars of the Canadian financial system—trust companies, insurers, and investment dealers—while holding back the fourth, the banks.

Under the new proposals, owners of trust companies, insurance groups and other financial institutions would be given considerably more freedom to spread their wings. The key concession is one that would permit them to own their own banks through federally-regulated holding companies, thus in effect side-stepping the present restrictions on commercial lending by trust companies. Special rules are envisaged to prevent conflicts of interest from arising.

On the other hand, curbs on existing banks will be retained, at least until the scheduled ten-

year review of the Bank Act in 1990. A single shareholder's interest in a domestically-owned bank (known as a schedule "A" bank) will be restricted to 10 per cent, while the banks will be barred from owning more than 10 per cent of another financial institution. Foreign-owned, or schedule "B" banks' assets will remain pegged at 10 per cent of total domestic banking assets.

Investment dealers' room for manoeuvre will also be expanded if proposals by the Ontario Securities Commission—which normally sets the trend for the rest of the country—are accepted. The OSC has recommended a significant relaxation of ownership rules which would allow foreigners and other financial institutions to hold up to 49 per cent of a securities firm's shares. A limited number of foreign-controlled dealers with combined capital up to 50 per cent of the industry total would be created.

These steps towards deregulation have drawn praise from some quarters, but caused dismay in others. If implemented, they are expected to be of the greatest benefit to trust companies and increasingly powerful financial services conglomerates such as Tridon Financial (controlled by Peter and Edward Bronfman) and the Desmarais family's Power Financial Corp. of Montreal.

Thanks to their low international exposure and heavy dependence on the relatively stable residential mortgage market, the trust companies' performance has outlasted that of the banks in recent years. Mr Robin Corwell of the securities firm Gordon Capital estimates that the trust and loan industry was 50 per cent more profitable than the banks last year, measured by return on assets and shareholders' equity.

By meshing the marketing,

data processing and human resources of various types of institution, financiers like the Bronfmans and Desmarais have started to create diversified groups which are challenging the banks in several areas of their business.

The Bronfman empire includes the country's second largest trust company (Royal Trust), the biggest real estate agency (Royal LePage), one of the top ten life insurers (London Life) and two companies (Great Lakes and Hees International) which are emerging as Canadian equivalents of British merchant banks.

Similarly, Power Financial's network includes Investors Group, the country's leading mutual fund distributor and personal financial planning company. Power is broadening its international horizons by raising its stakes in Geneva-based Parag, which has links with banks and securities firms in Europe and the U.S.

Banks and investment dealers, in particular, are concerned that the recently-published deregulation proposals will intensify the competitive challenge from these conglomerates, while heightening the risk of conflicts of interest and a chain reaction if one arm of a diversified group runs into difficulty. The securities industry and other smaller players fear growing foreign domination and/or concentration of power in the financial services industry.

Mr James Pitblado of Dominion Securities only half-jokingly predicted last month that the investments Dealers Association will consist of just eight members seven years from now—five of them foreign-controlled and one of the remaining three a joint venture between Canadian Pacific, Royal Bank and the Canadian Imperial Bank of Commerce.

THE FOUR PILLARS

Chartered banks are the only institutions with full freedom in commercial lending. Number: 72, including 14 domestic and 58 foreign-owned schedule B banks. All banks are regulated by the federal government in Ottawa. Largest: Royal Bank of Canada, Bank of Montreal, Canadian Imperial Bank of Commerce, Bank of Nova Scotia, Toronto-Dominion Bank.

Trust and mortgage loan companies may offer discretionary and ancillary services, but are limited in the amount of their commercial lending. They offer a wide range of deposit accounts and real estate agencies. Number: 66. Most are provincially regulated. Largest: Canada Trust, Royal Trust, National Trust, Canada Permanent.

Insurance Companies are allowed to underwrite life insurance and issue life-contingent annuities. Number: 371, of which 186 are life insurers and 214 property and casualty companies. Most are federally regulated. Largest: Life Insurance Company of Canada, Sun Life, Manufacturers Life, Great-West Life, Property and Casualty—Co-operators General, Royal, Lloyd's of London.

Investment dealers have a monopoly on corporate securities underwriting and stock exchange membership. Other activities include merger and acquisition advice, some deposit-taking and research. Number: 70, all provincially regulated. Largest: Dominion Securities, Pitblado, Wood Gundy, Burns Fry, Richardson Greenhills, Merrill Lynch Canada.

Source: The Regulation of Canadian Financial Institutions (Government Report, April 1985); Financial Post 500.

Nato's poor relation to spend more

AFTER BEING the laughing stock of Nato for much of the past two decades, Canada has begun to take its military effort more seriously again.

Defence spending is set to rise by about 2 per cent in real terms to C\$9.4bn in the year to March 1986, opening up new opportunities for both local and foreign defence contractors. Mr Erik Nielsen, Defence Minister and one of the most conservative members of the Mulroney Cabinet, in power since last September, said recently that "our intention is that the direction of our defence effort be up—not down."

Although Canada's defence budget remains one of the lowest per head of population among Nato members, the new government has demonstrated the higher priority being given to defence by adding 1,200 people to Canada's 6,000-strong force stationed in West Germany.

Some of the current moves to beef up the armed forces were begun under the former Liberal government following mounting criticism from its Nato partners at the poor state of Canada's defence capability.

The Air Force has already taken delivery of about four dozen of its 138 new CF-18 fighters. The last of the RCAP's aging CF-101 Voodoo aircraft was retired from service six months ago, and its CF-104 Starfighters will be withdrawn next year.

Six new frigates are being built for the navy, whose present fleet dates mainly from the 1950s and 1960s. Submarines are expected to be next on the list of purchases.

To the consternation of its Nato allies, the Department of National Defence last April chose two Swiss and one Swedish-led consortia as final bidders for a C\$600m low-level air defence system to defend Canadian forces in Europe. The final choice, likely to be heavily influenced by bidders' contribution to economic activity in Canada, is scheduled to be made next spring. Thomson-CSF of France, one of the unsuccessful bidders for the air defence contract, has nonetheless set up a new venture in Canada to provide project management for defence-related systems.

Closer military ties with the U.S. have embroiled the new conservative Government in several controversies over the past nine months. Although the last nuclear weapons on Canadian soil were removed more than a year ago, the vociferous anti-nuclear lobby as well as others concerned about Canada's political independence are afraid that growing co-operation with the U.S. in the military field will impinge on Ottawa's independence of action.

Within three months of the Conservatives taking office, a

team of Pentagon officials travelled across Canada to brief local manufacturers on opportunities for U.S. defence contracts. The first in a series of U.S. Cruise missile tests was completed over Canada last March under a 1983 agreement allowing the U.S. to see Canadian Air space and ground facilities for weapons testing.

Suspicious that Canada is becoming an integral part of Washington's defence planning were heightened by another agreement signed by Mr Mulroney and President Reagan at their Quebec City summit last March, to modernise the string of radar stations in the Arctic which provide early warning of Soviet bombers and Cruise missiles.

Defence

BERNARD SIMON

The new "north warning system" will consist of 13 long-range and 39 short-range radar stations stretching from Alaska to the Labrador coast. Canada will operate and maintain the system from October 1989 and contribute 40 per cent of the costs. Canadian companies will supply communications equipment for the net work.

Despite strong government denial, opposition groups suspect that co-operation in modernising the north warning system is a prelude to Canada's involvement in President Reagan's Star Wars strategic defence initiative. Canadian participation in Star Wars has become a divisive and strongly-debated issue.

Defence contractors, such as Spar Aerospace and Canadian Astronautics, are in a good position to participate in Star Wars contracts, and have urged Ottawa to endorse Mr Reagan's plans. Mulroney initially expressed support, noting the benefits for economic activity in Canada. But he has fudged the Government's attitude since the depth of opposition in Canada to the project became clear.

A senior civil servant has spent the past few months examining the costs and benefits of official Canadian participation, and the Cabinet is expected to consider his report within the next few weeks.

Even if the government declines to give its own backing, Ministers have made it clear that Canadian companies will be free to bid for Star Wars contracts. The business community worries, however, that without wholehearted official support, Canada will get a smaller share of the work and new investments will not be given the full benefit of government financial incentives for industrial development.

Taboos over issue of free trade

OTTAWA'S representatives have been repeating it almost to the point of boredom: "Canada is open for business."

For the outside world, what does that catchphrase mean?

It means that: The Mulroney Government returned to power last September made it one of its first tasks to liberalise the laws providing that foreign investment in Canada must be screened by the Government, and that Canada wishes its exports to the U.S., which account for three quarters of its total exports to be placed upon a safer basis by the conclusion of an agreement for freer and perhaps even free mutual trade with Washington.

Both intentions touch upon a very sensitive subject, the independence of Canada from its intimately close and over-sized neighbour. During more than a century recurrent waves of Canadian economic nationalism have sought to keep foreign and especially American business at arm's length.

Hence the institution of the Foreign Investment Review Agency by the Liberal predecessors of the Conservative Government or Mr Brian Mulroney in Ottawa.

Hence also Mr Mulroney's admission in an interview with the Financial Times that the connotation of the words "free trade" was not always good in Canadian history. But he was quick to add that Canada must secure an enhanced share of the U.S. market. For the moment the words "free trade" are taboo in Ottawa, partly to avoid stirring up opposition, partly because the Government is genuinely uncertain how far it will really wish to go.

In the case of foreign investment the opposition, at least in the federal Parliament, was not especially pronounced. Legislation has gone through to re-baptise the Foreign Investment Review Agency to give it a new tenor. Investment Canada, as it is now called, is to promote investment in Canada. A network of foreign service officers, concentrated especially in the U.S., Western Europe and Japan, will be installed to help intending foreign investors with advice about what will face them in Canada.

Investment Canada will differ from its predecessor in two chief respects. In the politico-psychological sphere it is likely to be less suspicious of foreign capital because of its brief and because of the attitudes of the present Government.

Where the nuts and bolts of the new law are concerned, it exempts entirely from screening all new investment (as opposed to takeovers) with the minor if significant exception of new investment in the cultural field. That means activities such as publishing, or the production or exhibition of film or video products, recorded music or sheet music.

Foreign takeovers will be exempt from screening if the value does not exceed C\$5m (about \$2.9m), unless the takeover results in the transfer of ownership of a Canadian company from one foreign owner

Canada's exports by trading areas

	(per cent)	1960	1970	1980	1983	1984
United States	55.8	54.4	63.2	72.9	75.6	
United Kingdom	17.4	9.0	4.3	2.8	2.2	
Other Western Europe	11.3	9.5	10.6	5.8	5.0	
Japan	3.4	4.9	5.9	5.3	5.1	
Other Asia	2.2	2.9	4.0	4.4	3.3	
Other	9.9	9.0	12.0	8.8	8.8	
Total	100.0	100.0	100.0	100.0	100.0	

Source: Lipsey and Smith: Canada's Trade Options.

to another. In that case the limit rises to C\$50m.

Opportunities for delay afforded by the old FIRA system have been reduced. Under the old system a foreign investor's application could in practice be delayed indefinitely. Under the new system no extension of the period allowed for a ruling is possible beyond 75 days, unless the foreign investor agrees.

The new legislation also makes it easier for a Canadian company with a large foreign shareholder to carry out takeovers in Canada without the need for screening. The exemption will apply (except in the area of cultural activities) provided a majority of the shares of the company making the

takeover are owned by Canadians and provided that management is in its majority Canadian.

FIRA, now dead, was often described as a paper tiger. More than 80 per cent of the applications before it were allowed. But its nuisance value was high and nobody knows how many applications from foreign investors were never submitted because of its existence.

Given the new atmosphere in Ottawa and the exemption from screening of new investment, Canada should prove an even gentler beast. But the power to disallow applications for all but small takeovers is retained. As in the case of FIRA, the proof of the pudding will be in the eating.

At the moment it is impossible to say what will emerge from the Mulroney Government's intense study of how it wants to enhance its trade relations with the U.S. Mr James Kelleher, Minister of International Trade, has been instructed to place his recommendations before the Cabinet in September. A quick decision will then have to be made unless Ottawa is prepared to be bogged down as the U.S. drifts into the campaign for the off-year congressional election in November 1986.

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Trade and investment

W. L. LUTKENS

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For its part, the U.S. may be presumed to want similar protection against, for instance, the restrictive procurement policies of some Canadian provincial governments. But it is equally possible that the U.S. may be looking upon the whole exercise as a means to exert pressure upon its European and Japanese trading partners to resume multilateral tariff cutting in Gatt.

For this reason, but also because a U.S.-Canadian agreement, whatever its final shape, could discriminate against others, Europe especially is likely to be suspicious about whatever Ottawa and Washington have in mind to cook up.

If, as seems probable at this time, Ottawa does not ask for a free trade zone, the Europeans will watch jealously that the alternative conforms to Gatt rules. The rules which permit free trade areas without a common external tariff (such as the EEC has) are, however, somewhat ambiguous. They refer to the elimination of duties within the area on "substantially" all trade.

What that means appears never to have been defined precisely and policy planners in Ottawa have seized upon this uncertainty. All in all, a great many problems remain to be wrestled with, within Canada, between Canada and the U.S., and with the rest of Gatt before these aspirations for "trade enhancement" are put into practice.

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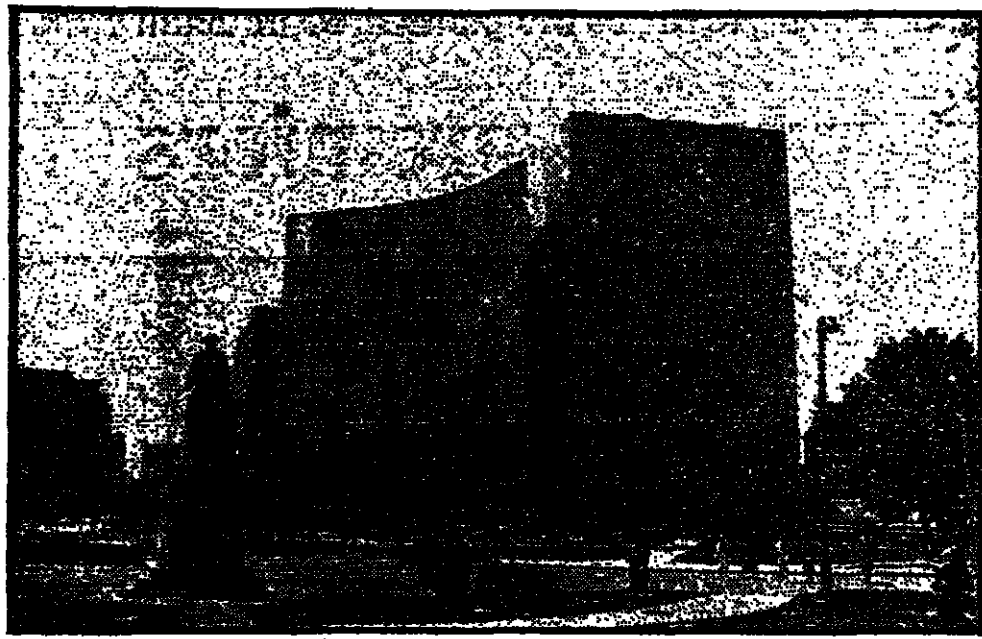
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DEPARTMENT OF DEVELOPMENT AND TOURISM
P. O. Box 4720
St. John's, Newfoundland
Canada
A1C 5T7

(709) 576-5064
Telex: 016-4949



Prime Minister Mulroney and President Reagan exchange pens and put them in their pockets after signing an agreement in Quebec City in March to modernise the North American defence warning system.

Prices pick up after nosedive



Above: headquarters building at Toronto of Ontario Hydro, the power company of the province. Below: firefighter stands by during a crew change on an oil drilling rig off the Grand Banks, east of Newfoundland



A PERSISTENTLY strong U.S. appetite for most grades of newsprint and business papers, plus the large discount on the Canadian dollar, have enabled Eastern Canada producers to put the 1981-82 recession finally behind them.

But the story for Western lumber and market pulp producers has been very different. After a mild flurry more than a year ago, prices for North American construction lumber slumped and only recently have picked up a bit. Pulp prices also went into a dive after a brief recovery from the recession, and not much improvement is expected until well into the second half.

Integrated Western producers have seen their hopes for profit recently dashed and have put off modernisation and expansion indefinitely. Some smaller companies specialising in lumber and pulp are still losing money even after drastic cutbacks in operations. Some have had to sell off other businesses acquired during the more prosperous 1970s to diversify away from the notorious lumber-market-pulp cycle.

The U.S. rate of housing starts has remained well below the 2m a year mark, and Canada's has been down to about 150,000. The high U.S. dollar, and in particular the high Canadian dollar, have allowed enough Scandinavian imports of pulp and even lumber to keep market prices at rock-bottom, and no immediate signs of relief are visible. Lumber producers in the East have also been feeling the pinch.

The bounce and the strength in the Canadian forest products industry is almost entirely confined to the East. While the basic newsprint price increase posted in April has been delayed until July or even later, and demand for some grades has slipped a bit with the arrival of summer, Eastern Canada paper producers are embarking

on another round of modernisation that will cost between \$2bn and \$3bn over the next five years.

This is not the heister-skeiter beggar-thy-neighbour expansion of the 1960s and 1970s when Canadian producers at times thought they could control the U.S. price of newsprint even though they were marginal suppliers. It is based on much more careful market research

Forest products

ROBERT GIBBENS

and study of the impact of the Tokyo Round tariff cuts between Canada and the U.S. by 1987.

Essentially this means Canadian fine paper producers, or the firms that make business and copying papers mainly, no longer will have a protected domestic market. There will be open competition across the border at all times. Thus Domtar has to spend nearly C\$800m to renew and expand its fine paper mill based on hardwood resources located about 80 miles east of Montreal. It must specialise and increase production runs to compete on a continental scale. Its productivity measure, as in its newsprint mills, is against the best American producers.

Other fine paper producers in Northern Ontario have invested hundreds of millions in modernising their pulping and paper operations, and small producers, such as Rolland Paper, near Montreal, are building up their distribution interests in the north-eastern U.S. ready for the fray.

The Eastern Canada pulp and paper industry has made immense strides since 1978 to improve energy performance, install thermo-pulping and

speed up old machines. Governments have played their part by keeping energy prices down and helping to finance modernisation.

Swedish technology has been imported for specialised pulp for the tissue market; Valmet of Finland has taken over management and a half-share in ownership of Canadian General Electric's pulp and paper machinery division, and a host of smaller equipment companies have been helping to improve process control and achieve the higher-quality sheets now required for the U.S.

There is still some way to go, and the industry knows it may not have the large Canadian dollar discount to bolster its profits for ever.

CIP Inc, the former Canadian International Paper acquired nearly three years ago for about \$1bn by Canadian Pacific, is near break-even and has managed to bring its large newsprint mill in New Brunswick back from the brink.

Consolidated Bathurst, one of the first to see the boom in demand for groundwood printing papers, is relatively well placed but has problems now with its Ellesmere Port newsprint mill in Britain because of the quirks of exchange rates.

Companies such as Domtar, Abitibi-Price, Reed Donohue, Great Lakes Forest Products and Fraser all have major programmes for the next five years in the newsprint and groundwood printing papers. The lightweight coated papers used in high-quality advertising fliers have been in short supply from time to time in the past two years, but a new major investment in capacity will come in during 1986-87 in New Brunswick with a \$400m project by Repad Enterprises, a Montreal group which also owns a large lightweight coated paper operation in Wisconsin.

In the container and packaging areas, major rationalisations



River drivers skillfully poling logs downstream to the sawmills on the St. Anne River, Quebec.

during the recession have helped performance, and in the tissue sector, growth has followed the Canadian economy in general with markets fairly competitive.

Raymond Kilroy, forest products analyst at Nesbitt Thomson Boscawen, in Toronto, sums up the feeling in the market when he urges investors to concentrate on companies with good exposure to pulp and paper products, especially newsprint, packaging and fine papers. Several of them should outperform the market in the next year or 18 months, he believes.

Western forest products companies will probably improve performance in 1985 and 1986, especially with a better labour climate and a firmer grip on costs.

But profits in the West will continue to lag seriously and signs of a real revival in the lumber and pulp markets are not encouraging.

Operating rates for all 1985 should average well over 80 per cent nationally in newsprint and groundwood specialties. In the first four months of 1985, Canadian shipments of newsprint, groundwood specialties, fine papers, kraft papers, tissue products, and packaging materials totalled almost 4.8m tonnes, up from 4.4m tonnes in the 1984 period and 4m tonnes in 1983. The U.S. took 2.6m tonnes, compared with 2.38m tonnes and 2m tonnes, mostly in newsprint.

Even though restrictions on Canadian exports of lumber to the U.S. remain possible because of the strength of the U.S. lumber industry lobbies, it is the newsprint market in the U.S. that is so critical for the Canadian forest products industry. Even with the Canadian dollar worth only 72 cents (U.S.), Canadian production costs remain higher than the most efficient U.S. producers.

Gas and oil producers in bullish mood

THE GLOOM in international energy markets contrasts sharply with new-found enthusiasm among Canada's oil and gas producers.

Combined earnings of the five largest integrated oil companies bounded up by 51 per cent last year and are expected to advance strongly again in 1985 and 1986—even without a revival of international energy prices. Oil and gas shares have touched record levels on the Toronto stock exchange recently. Strong investor demand encouraged Texaco to increase the size of a share issue by its local subsidiary earlier this year to C\$490m, making it the biggest ever share offering in Canada.

The bullish mood has even taken hold at the troubled Calgary group Dome Petroleum, which was rescued by the Canadian government three years ago. Despite its enormous C\$6.4bn debt, Dome's share price has risen by more than 50 per cent in the past year.

At the heart of the burst of confidence are the benefits received by the oil and gas industry from the new Conservative government in Ottawa. Arguably, no other group in Canada has been as favoured since the Tories came to office last September.

The new government has largely fulfilled its pledge to dismantle the punitive provisions of the National Energy Programme, imposed by the Liberals in 1980 to expand energy self-sufficiency and promote activity in the remote Arctic and east coast regions. At the same time, it has made substantial progress in achieving the NEP's goal of higher Canadian ownership in the oil and gas industry.

The first spin-off of more cordial relations between the federal government and the provinces was an agreement last November governing the management of Newfoundland's offshore oil and gas reserves and the distribution of tax revenues.

Ottawa made major concessions to the western provinces of British Columbia, Alberta and Saskatchewan in the so-called "Western Accord" signed last March. Despite the Finance Ministry's efforts to trim the budget deficit, Prime Minister Mulroney and his well-regarded Energy Minister, Miss Fay Carney, deemed it politically wise to sacrifice substantial tax revenues from the oil and gas industry, and to raise oil prices at the retail level and give producers greater freedom to negotiate export terms.

The main provisions of the Accord include:

- Phasing out the controversial Petroleum and Gas Revenue Tax between January 1986 and the beginning of 1990. The tax, currently set at 12 per cent, will not apply at all to new projects brought on stream before that date.
- Deregulation of the domestic oil market from June 1, 1985. There is no longer a distinction between "old oil" discovered before 1974 (and formerly priced below world market levels) and "new oil" whose price roughly followed interna-

tional levels. Before decontrol, about 30 per cent of Canadian oil consumption (including imports) was subsidised, and 50 per cent of domestic output fetched the artificially low "old" price.

● Dismantling of the Petroleum Incentives Programme, which has provided generous grants (linked to the level of Canadian participation) to companies drilling in the Arctic or off the east coast. PIP grants, which have soaked up several billion dollars in public funds since 1980, will be discontinued next March, except in the case of existing commitments. A new tax-based incentives system is now under consideration.

One remaining feature of the National Energy Programme, the "back-in" provision allowing the government to take up to a 25 per cent interest in new

Energy

BERNARD SIMON

frontier discoveries, will—the government promises—be ditched later this year.

The Provincial Government of Alberta gave oil and gas producers another boost in late June by announcing new royalty holidays and a five percentage point cut in royalty rates. These concessions, designed to reward success rather than drilling activity, are estimated to be worth C\$1.4bn a year.

The Western Accord's tax concessions are expected to boost industry cash flows by C\$1.2bn in 1985 and by about C\$9bn over the next five years. Decontrol of oil prices will bring sizable benefits to companies with large "old" oil reserves. Texaco's Canadian subsidiary, for example, has estimated that the price of two-thirds of its crude oil output rose by more than C\$8 a barrel on June 1.

Looser controls on exports have enabled Canadian gas producers to become more aggressive in the U.S. market, trimming prices to push up volumes. Dome predicts that its gas output will rise from 550m cubic feet in 1984 to 800m cubic feet within the next year or two.

Federal energy planners estimate that the Western Accord will contribute to a 7.3 per cent increase in Canadian oil output by 1990, equal to new volumes of 110,000 barrels a day. On a broader front, they expect the tax breaks and other measures to boost oil companies' capital investment by 25 per cent.

The climate in the industry started improving a year or two ago when the former Liberal government began quietly to turn its back on some NEP provisions and producing provinces started to lure new investment with royalty concessions. In-vestment has thus been picking up for some time. The Western Accord and Canada's proximity to the U.S. market have assured that the trend will continue—and perhaps accelerate—for at

least the next few years. Miss Carney estimates that new investments worth C\$3.5bn are already in progress. With reserves of conventional crude oil flattening out, much of the activity will centre on the development of tar sands deposits and construction of facilities to turn bitumen or heavy oil into lighter crudes. Syncrude, the giant oil sands project in northern Alberta, is expected to spend C\$3bn on an expansion programme. Petro-Canada, Imperial Oil (Exxon's Canadian subsidiary), Shell and BP are among the companies expanding their oil sands interests.

Development of east coast oil and gas reserves is hampered by uncertainty on the size of gas deposits off the Nova Scotia coast and technical disagreements between the Newfoundland government and Mobil Oil on the best means of exploiting the Hibernia field, whose commercial viability is also in doubt. East coast production is unlikely to start for several years.

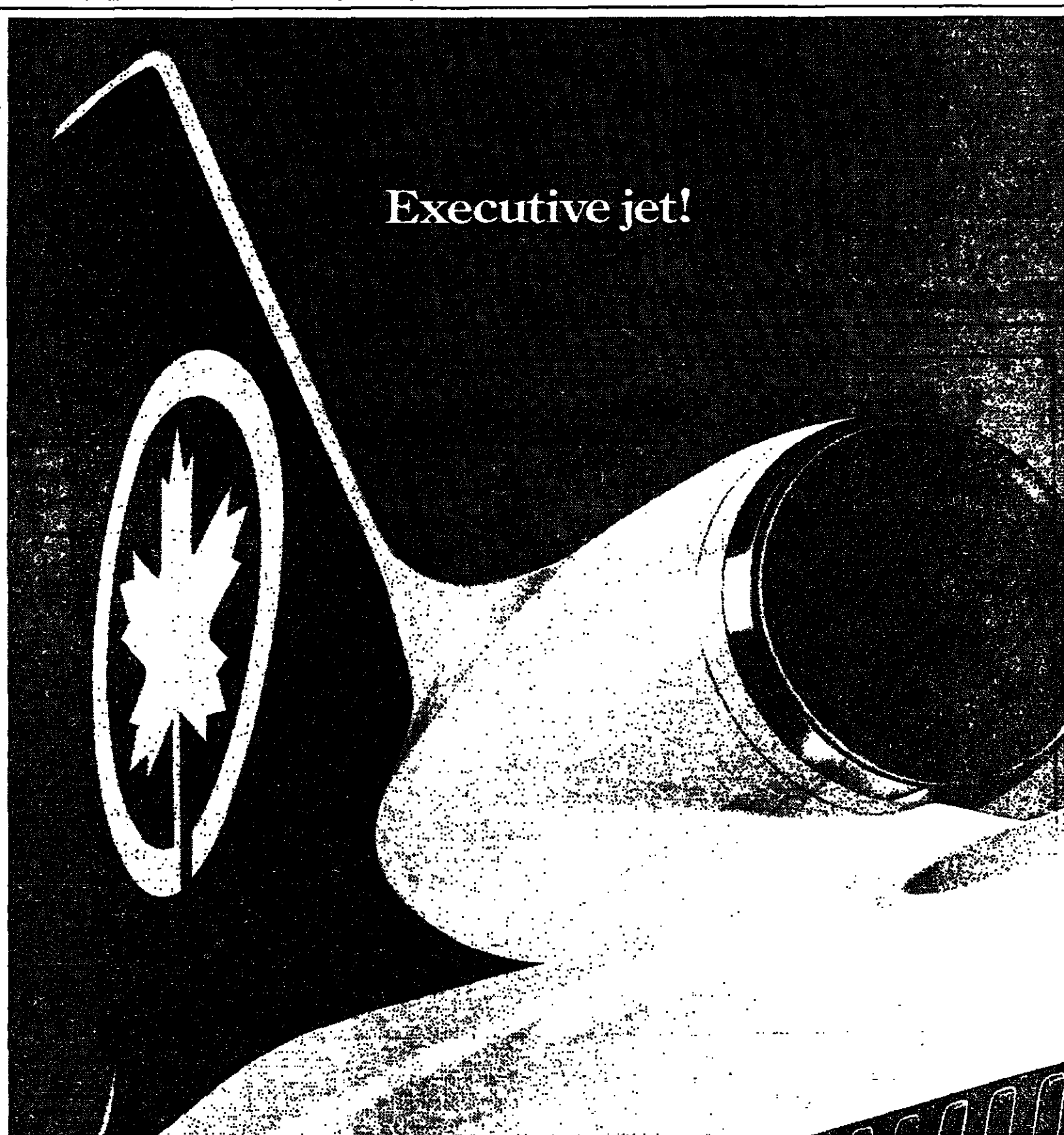
On the other hand, hopes have risen recently that the long search for oil and gas in the north-west Arctic may soon produce results. Gulf Canada has made two significant finds in the Beaufort Sea and plans several delineation wells next winter to assess their commercial viability.

The new mood of optimism has tended to distract attention from a number of clouds still hanging over the industry. One is the question of decontrol of natural gas prices, an issue which may develop into a bitter wrangle between the western producing provinces and the new Liberal administration in Ontario, where consumers would like prices to be held artificially low.

A further decline in world energy prices could wipe out many benefits of the Western Accord to Canadian producers. Mr James Dunlap, president of Texaco Canada, cautioned recently that "with decontrol and the opening up of the Canadian borders come the full competitive pressures and impacts of the world market prices for oil and gas. Canada can no longer consider itself insulated from world events."

The dismantling of the NEP and more relaxed attitude to foreign investment in general has not prevented the Conservative government from pressing foreign oil companies to increase Canadian participation. Approvals of acquisitions by several U.S. companies have been held up while Ottawa has negotiated undertakings to expand local ownership. Texaco Canada's share issue has reduced the parent company's stake from 90 per cent to 80 per cent. Chevron has agreed to sell its 60 per cent interest in Gulf Canada to the property developer Olympia and York.

The Gulf transaction will lift Canadian ownership in the oil and gas industry from 40 per cent to 45 per cent, enabling the government to argue that its generosity to producers has brought concessions in return.



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AIR CANADA 

CANADA 6

Prospects for the provinces depend on national policies. Four provinces are considered in detail here.

A POT OF GOLD

Northgate Exploration Limited ranks among Canada's larger gold producers. Its mines at Chibougamau, Quebec, yielded 77,500 ounces in 1984. Associated Westfield Minerals Limited produced 3,500 ounces in Ontario, while Whim Creek Consolidated N.L. mined 31,000 ounces in Western Australia.

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Strait of Canso Port

As the Mulroney administration rushes to embrace private sector solutions to Canada's economic woes, the four Atlantic provinces, historically the poor sisters of the Canadian confederation, fear being left behind.

Conservative premiers are at the helm of all four provincial governments so political loyalty has muted public expressions of this anxiety for the first eight months of the new federal government. But the release of federal Finance Minister Michael Wilson's May Budget, which included restraint measures with a disproportionate impact on the region, loosened critical tongues.

"We're concerned about it," said Mr. Jim Lee, Prince Edward Island Premier, after a recent meeting with his counterparts from Nova Scotia and New Brunswick. Chief among the premier's concerns are plans to strip C\$22m from federal transfer payments to the provinces for health, education, and welfare by 1990, and a projected C\$200m-a-year cut in transport subsidies which keep down the cost of the food, agriculture, and consumer goods in the region.

Residents on Cape Breton Island, with one of the highest unemployment rates in Canada, have protested against the closure of two loss-making heavy water plants announced in the budget. To soften the blow, new industrial projects on the island will qualify for generous financial support from the government.

Elizabeth Beale, chief economist with the Atlantic Provinces Economic Council, a regional economic think tank, says the budget's reliance on private enterprise to compensate for these cutbacks is inappropriate in the Atlantic Canada. "Our private sector is very small," Ms Beale said. It's all very well to talk about tax incentives, but the influence of that kind of thing in this region is going to be nil.

In Nova Scotia, largest and most affluent of the four provinces, concern about the impact of the May budget is heightened by a series of recent energy policy changes. Early this year, the Mulroney Administration resolved a longstanding dispute which had caused bitter wrangling during the Trudeau years between Ottawa and the oil-and-gas-producing pro-

vinces of western Canada. However, the resulting "Western Accord" greatly diminished prospects for substantial oil and gas development off the coast of Nova Scotia, the one province that had come to terms with the former Liberal administration.

To reach that agreement, Nova Scotia had surrendered jurisdiction over offshore development in exchange for the principal share of offshore revenues. However, in dismantling the Liberals' National Energy Programme, the Western Accord eliminated the very revenue-generating measures that Nova Scotia counted on.

Atlantic provinces

PARKER DONHAM

Specifically, the Western Accord eliminates the 12 per cent Petroleum and Gas Revenue Tax (all of which would have flowed to Nova Scotia under the now moribund Canada-Nova Scotia agreement), the Petroleum Incentives Programme (under which frontier drilling off Nova Scotia is subsidised by up to 80 per cent).

Mrs. Pat Carney, the Federal Energy Minister, says reaching a new deal with Nova Scotia is her first priority. But negotiations to that end have been sluggish. Drilling off Nova Scotia has produced no substantial quantity of oil, but a series of small, marginal gas fields. One of these, Mobil Canada's 2 trillion (million million) cubic-foot Venture field, has been inching its way towards production. The cost of transporting gas to the north-eastern United States, falling gas prices, competition from Western producers eyeing the same markets, and the need for larger reserves remain significant obstacles.

Newfoundland's Premier Brian Peckford, 42, survived a winter election (albeit with a significantly reduced majority) largely on the strength of his own newly negotiated energy deal with Ottawa. The "Atlantic Accord" stresses shared jurisdiction and revenue, and so is less sensitive than Nova Scotia's pact to the changes wrought by the Western Accord.

By ending years of jurisdic-

tional paralysis, the Newfoundland deal lured back many of the drilling rigs that had deserted its waters for Nova Scotia a recent year.

Despite this promise Newfoundland remains poor by Canadian standards. Per capita income is only C\$8,580 (against a national average of C\$12,835) and unemployment stands at a startling 24.1 per cent. The province's fishery, by far the largest employer, has been slow to recover from a crisis that resulted in a major restructuring last year.

In New Brunswick, a heavily-forested province sandwiched between Quebec and the State of Maine, economic issues have been overshadowed by uncertainty over the political future of Premier Richard Hatfield, whose 15-year term of office is by far the longest of any provincial leader. Hatfield's troubles began when Royal Canadian Mounted Police guards discovered a small packet of marijuana while searching a suitcase as he was about to board a royal flight during the Queen's visit to New Brunswick last autumn.

Hatfield was acquitted of a possession charge, but in a May by-election for what should have been a safe Conservative seat, the government candidate was trounced.

In tiny Prince Edward Island, a pastoral province of 128,800 known quaintly as The Garden of the Gulf, the economy both rises and falls with the price of fish and potatoes. Currently, both are down. A bumper crop of potatoes in 1983 has left inventories high, and U.S. potato farmers are pushing for import restrictions.

A decision to award lucrative exploratory crab-licenses to 14 F&I vessels sparked a bitter row with neighbouring New Brunswick, where a court ruled that labour mobility provisions in the new Canadian Constitution barred the federal fisheries minister from assigning fish quotas on a province-by-province basis.

The decision could force a rethinking of the rules governing Canada's highly-regulated fishing industry, the world's largest. One possible outcome would see fishermen assigned individual quotas, a move long urged by economists who have studied the issue as a way of shifting emphasis from increasing quantity to increasing quality and efficiency.



Crab fisherman at Conception Bay, Newfoundland. Reconsideration of the rules of Canada's highly-regulated fishing industry could result in fishermen being assigned individual quotas.

Economy cranks into higher gear

Western Canada

ROBERT SHEPPARD

THE AUDIBLE HUM in the oilmen's clubs of western Canada these days is the sound of an economy cranking into a higher gear. Buoyed by the recent deregulation of Canadian oil prices, as well as the promise of pricey regional projects — a world's fair next summer in Vancouver, hydro utility in northern Manitoba — there is suddenly a new optimism in the West, a re-awakening sense of its place in the sun.

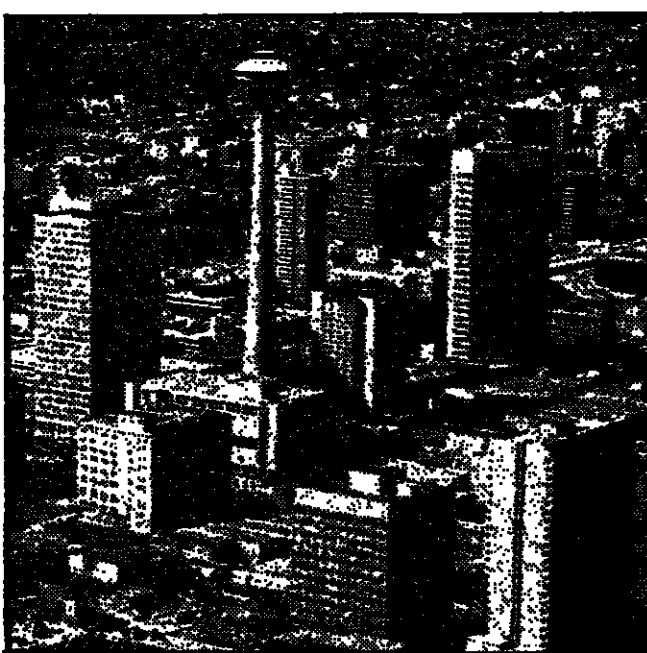
For the first time in three years of recession, Alberta's energy-dominated economy is expected to show real growth this year. Indeed, most of the country's major forecasters are predicting that the three most westerly provinces will buck the national trend towards slower expansion in 1985 and post real economic gains of between 2.5 and 3 per cent, about equal to the overall Canadian average.

In the expense-account restaurants of Calgary these days, the cocktail chatter is no longer full of bruised mutterings about a Liberal federal government. The Liberals went out in September and their policies with them. Now the talk is of actual business deals.

Major resource companies are starting to re-hire professional staff after three years of laying off engineers and geologists. It is also becoming increasingly difficult to get a good hotel room in Calgary for the mid-week business traveller. Still, in spite of the bullish optimism of the energy sector, on which the new Conservative Government in Ottawa is gambling billions of dollars in tax breaks hoping that it will become an engine of the national economy, there are still major structural problems in the west.

Even as sanguine an optimist as the Alberta Premier Mr. Peter Lougheed warns that the full effect of economic recovery is unlikely to be felt in his province until at least three years' time.

But having steered the province through the oil boom and bust, and having negotiated a more favourable oil industry regime with Ottawa, Mr. Lougheed announced his impending retirement from politics last week.



Calgary, Alberta. The province has one of the strongest economies in Western Canada as a result of directing oil and gas drilling offshore.

Static world oil prices along with such legacies as overbuilt housing and offices and damaged small businesses will continue to hamper the recovery. Even in the favoured areas of Alberta where there are a half dozen important projects gearing up to produce more petroleum from heavy oil or tar sands, the trickle-down effect is minimal.

Energy companies are no longer showering money about like confetti as they were in the late 1970s. The Conference Board of Canada predicts that in spite of the stronger growth in the region this year, unemployment will actually rise west of the Ontario-Manitoba border.

Of the four western Canadian provinces, the two strongest economies are to be found in Alberta and Saskatchewan, where recent federal energy policies have redirected oil and gas drilling to the sedimentary plains from the more exotic, and speculative offshore frontiers.

Because of its rich supply of these resources and more than C\$14bn in its Heritage Savings Trust Fund, Alberta is in the best position to take advantage of this trend. The provincial government is promising to do what it can to help underwrite some major projects and even to participate in export consortia.

Moreover, Alberta energy

Vancouver and Prince Rupert in British Columbia. Both are operating at about a third of normal capacity, no sign that it has ended, according to the chief economist for the B.C. Central Credit Union.

The Social Credit Government of Mr. William Bennett is counting on Vancouver's Expo '86 to take the province out of the doldrums, and recently sounded a full retreat from its ultra-conservative philosophy.

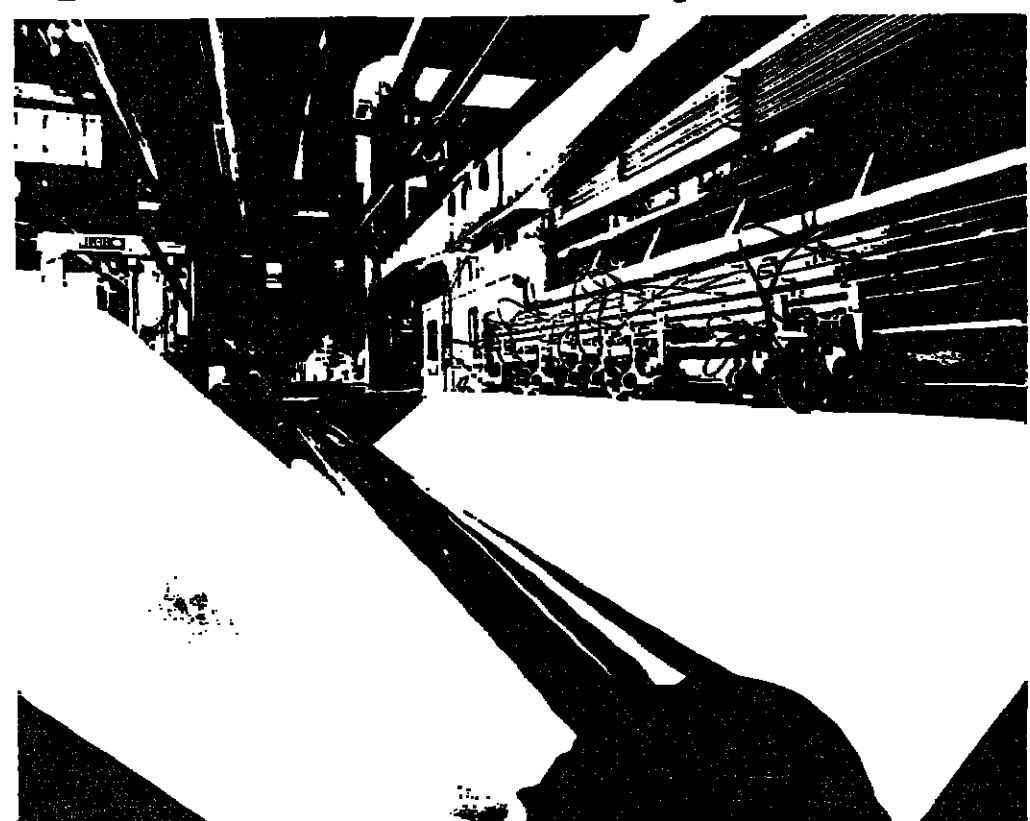
In a spring budget, the Government cut about C\$1bn in corporate taxes over the next three years in a gamble to get the economy moving again.

One of its problems is that innovation in the two primary resource sectors, forestry and mining, has meant greater efficiency but a substantial loss of jobs, a situation the province is hoping to remedy now by using tax incentives to jumpstart its small business sector and lure high-tech firms to its "lotus land" locale.

Manitoba is also having problems with U.S. protectionism, in this case in a localised "hog war" that is barring Canadian pork from many central states. But its problems are more fundamental.

The most "central" of the western provinces, Manitoba did better than the others in 1984 because of its more diversified base. However, its manufacturing sector is facing more poorly this year, leaving it at the bottom of the pack, and there has been significant head office transfers from the province to Toronto in the textile field, one of Manitoba's traditional regional strengths. Led by the only New Democratic Party Government in the country, Manitoba's Premier, Mr. Howard Pawley, also found himself the odd-pariah premier's conference, the only one directly to criticise the new Conservative Government in Ottawa and agree reluctantly to seek a pact with the U.S. for free trade, providing there was a long transition period to protect Manitoba manufacturing.

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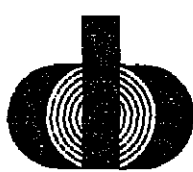
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CANADA 7

Local passions-national issues

Ontario

W. L. LUTHEGGER

LEWIS CARROLL's Alice would have felt at home in Ontario this summer. A Conservative regime in power since 1943 lost its majority after an election campaign during which the loudest fuss was kicked up about an educational issue on which there supposedly was all-party agreement.

But evidently many Protestant Conservatives felt that the Tory Government had been too liberal in agreeing to extend the public funding of Catholic schools. It is the sort of issue that still arouses passions in Ontario.

Reduced to a following of 51 members (plus himself) in the provincial Parliament, Mr. Frank Miller, the Tory Prime Minister, promptly tried to steal the clothes of every party in sight with a bundle of proposals for measures that he would have sufficed at before the election.

But Ontario is not Wonderland. On June 19 Mr. Miller was defeated by the joint effort of 45 Liberals and 25 New Democrats, the latter a party of moderate social democrats. The Lieutenant Governor, representing the Crown, called upon Mr. David Peterson, 41, the Liberal leader, to form a Cabinet.

Mr. Peterson had obtained the New Democrats' agreement to support him without forming a coalition. The agreement is for at least two years provided all goes well.

This bout of political fun and games was more than the end of an era in Canada's largest, most populous and wealthiest province. It does have implications for the country's commercial policy and intention of the federal Government at Ottawa to seek an agreement for freer or even free trade with the U.S., discussed elsewhere in this survey.

Mr. Miller had agreed to moving in that direction when Ottawa sounded out the provinces during the spring. Since Ontario's considerable manufacturing industry grew up behind a protective tariff, Mr. Miller may have had his doubts, but did not at the time insist on them.

Mr. Peterson, just no doubt about his position in an interview with the *Financial Times*. "We shall not be promoting the so-called free trade line which has been floated mainly by academics," he said.

Mr. Peterson, boyish-looking



David Peterson:
Running a microcosm of Canada, he has obtained the New Democrats' agreement to support him without forming a coalition, while opposing a free trade line

and very much in the nice guy mould, is afraid that American concerns, which dominate so much of Canadian manufacturing, would be tempted to run down their Canadian plants and serve the Canadian market from the U.S. if free trade should be introduced.

Since foreign trade is a federal responsibility, he will have no direct influence on the issue. But Mr. Brian Mulroney, the federal Prime Minister, needs provincial support if he is to offer the U.S. guarantees against non-tariff barriers to trade.

As a Liberal, Canadian-style, Mr. Peterson is likely to be more critical of foreign investment than the Tories in power at Ottawa. Foreign takeovers, he says, are not productive.

He is at one with Ottawa in welcoming new investment whether foreign or domestic. But it is improbable that under his premiership Ontario will return to a policy pursued in the past of subsidising big new industrial ventures, often in competition with neighbouring states in the U.S. or in Quebec. Industrial strategies, apart, budget stringencies will make that difficult.

As the Tories have done in the past year or two, the Peterson Government is likely to concentrate its efforts on encouraging small business. Help is likely to be made conditional upon new jobs being created. In addition, Mr. Peterson would like to put more resources into education and turning out the highly-skilled people required to give Ontario's high-technology industries a needed boost.

Mr. Peterson insists that he is well aware that what matters to business is the bottom line. He ought to know since he has been president of his family's business which retails, wholesales and also assembles electronic goods.

The province that Mr. Peterson has been called upon to run is a microcosm of Canada. That is its strength and its weakness, with a strong manufacturing sector as well as farming, forestry, and mining (though little oil). Ontario has a better balanced economy than any other Canadian province.

It had little direct share in the resources boom of the 1970s, but weathered recession, when it came, rather better than the resource provinces did.

Like Canada at large, Ontario has suffered from slow growth of productivity. The reasons still are a subject of wide differences between Canadian economists.

Ontario also has the strongest service sector in Canada: Toronto, the capital of Ontario, is the unchallenged banking capital of Canada. During the oil boom of the 1970s there was talk of large parts of the financial services industry migrating westward, especially to Alberta, where the money seemed to be. It never happened. In fact once the oil bubble had burst the big Toronto banks found themselves bailing out some western newcomers.

The better balance of the Ontario economy, deriving 10 per cent of output from resources and related processing and 21 per cent from secondary manufacturing, enabled the province to come out of recession more strongly than the rest of the country. Canada's gross domestic product went up by 4.2 per cent last year. The figure for Ontario was 7.1 per cent, dragged up by demand from the U.S.

After that head start, Ontario is now likely to level off while more favourable regulatory policies are expected to give a boost to western oil and gas. It is estimated by Informetrix of Ottawa that growth in Ontario for the remainder of the decade

will average 2.9 per cent, as against 2.8 per cent for Canada.

The westward drift which moved the Canadian economic centre of gravity from the Atlantic in the 19th century via Quebec to Ontario seems therefore to have been arrested.

Not that recession has passed Ontario by. The car and truck industry, which is the state's largest industrial employer, was badly hit in 1981 when the U.S. market, its main customer, collapsed. The industry, which is almost entirely American-controlled, is anxiously awaiting the outcome of exchanges between Washington and Tokyo and Ottawa and Tokyo about the acceptable level of Japanese car sales in North America.

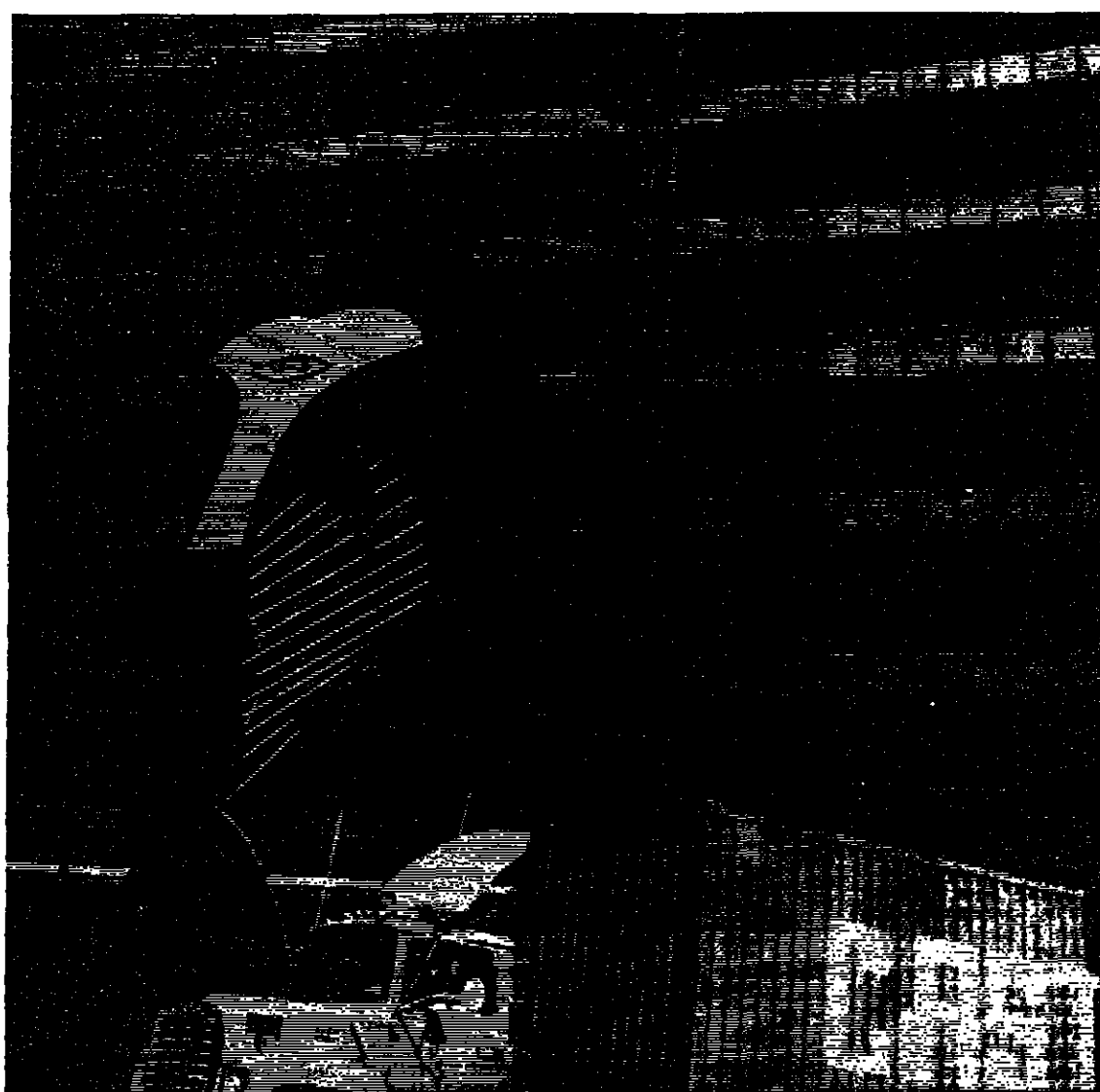
Nonetheless, the auto industry is engaged in a phase of heavy investment. In a survey of investment intentions, Informetrix lists: General Motors, a C\$1bn (about £580m) assembly plant modernisation at Oshawa; Honda, a C\$100m assembly plant, Alliston; GM, C\$255m plant modernisation, St. Catharines; Volkswagen, C\$400m on components plant, Barrie; American Motors, C\$740m assembly plant, Brampton; GM and Suzuki, assembly plant for Suzuki mini-car (announced only).

The Ontario steel industry, with 2.8m tons of steel shipped in the first quarter of 1985, is among the most efficient in North America. Its future prospects will depend closely on the fate of the North American motor industry. Investment schemes of more than C\$20m have been proposed or are already in hand.

Mining has been in the doldrums for years as specific use of metals declines and international competition takes its toll. But there is one bright spot at Hemlo, where gold has been found which can be mined profitably at present world prices without special subsidy. Two mines are under construction and another is proposed at a total cost of about C\$800m.

The petrochemical centre at Sarnia has been a source of constant worry for years. It uses oil as a feed stock and has difficulties competing with gas-based competitors in western Canada and with the Gulf coast in Texas.

Thus the industrial picture is not uniformly rosy. Stagnation in the motor industry would make it hard indeed to work down appreciably the present unemployment ratio of about 8.9 per cent. The need for industrial restructuring and an even more pronounced export orientation is therefore widely accepted. It is a challenge to both entrepreneurship and to government.



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Separatist hope is subdued

Quebec

ROBERT GIBBENS

THE STRIDENT push for Quebec separation of the 1960s and 1970s has passed into history with the resignation of Mr. René Levesque, 62, from the leadership of the ruling Parti Québécois after 25 years in politics.

Mr. Levesque, who won a provincial election for the Liberals almost single-handedly in the 1960s by campaigning for a provincial takeover of the privately-owned power companies, went on to found the PQ from a dozen separatist groups. He continued as premier until a new leader is chosen. That will be done by a leadership convention summoned for September 29.

There will be four or five hopefuls but the likely winner is Mr. Pierre-Marc Johnson, still in his thirties and son of the late Union Nationale premier Daniel Johnson, and a moderate on the independence issue like Mr. Levesque.

No one was surprised by Mr. Levesque's resignation, after months of rumours about his health, but his impending



Robert Bourassa:
the swing away from the issue of independence, marked by René Levesque's resignation, means that he may well form a government of the centre

departure marks a major turning point. Whether the next general election comes in the late autumn or next spring, at the end of the PQ government's mandate, the trend in Quebec public opinion is decidedly towards moderation and accommodation with Mulroney government in Ottawa.

This has been dramatically shown by the polls for two years, which give the Quebec Liberals under Robert Bourassa about 60 per cent of the popular vote or twice that of the PQ.

Quebec nationalism and the issue of independence will never go away, but for the time being the Francophone majority of Quebec is more interested in having less government, lower taxes and more jobs. The next government, which may well be formed by Mr. Bourassa, will be one of the centre.

The PQ has been trying to move there since 1981 under Mr. Levesque, but it has steadily lost credibility and relevance. Through the 1980s and 1970s, Quebec prided itself on its quiet revolution, modernisation of the economy and the social system, the reduced influence of the Roman Catholic Church, and steady gains in autonomy from Ottawa.

By the late 1960s, as Prime Minister Pierre Trudeau picked up the federal Liberal mantle from Lester Pearson, many were agitating for independence. It was Mr. Levesque's gift for compromise and realism that brought them together in the Parti Québécois.

When he turned Mr. Bourassa from office in November 1976, a majority of Francophone

Quebecers felt they had "their own" government at last, free from taints of deals with Anglophone business interests.

But the Levesque government's language legislation and coddling of the unions which had helped to put it in power led to an exodus of more than 100,000 Anglophones from Montreal. French had indeed become the primary language of the workplace in the city.

But with the second oil crisis in 1979-80 the economy was already slowing up. When the world recession of 1981-82 came, unemployment rose to an official rate of nearly 15 per cent in Quebec.

At the same time, Mr. Levesque lost the 1980 referendum on a question so long and dense as to be almost meaningless, though everyone knew that sovereignty for Quebec was the real issue.

Since the provincial elections which the PQ won in 1981 it has been mostly downhill for the party leading to the resignation of three ministers and formation of a splinter group within the PQ caucus committed to fighting the next election on the issue of independence.

The economy has swung back from recession much faster than anyone had hoped, but the PQ has not been able to garner much credit. The mood of public opinion has changed and Francophones once again want to stretch out a hand to their neighbours.

They have won the language battle in Montreal, as they would have done by force of

numbers without the language legislation. So the Parti Québécois of Mr. Levesque has largely lost its raison d'être; the new Francophone middle class has been taking over the reins of economic power and feels no need of tutelage from any political party.

The issue at the coming PQ leadership convention is really whether Mr. Johnson, a qualified medical doctor and lawyer, can claim to be able to catch the new mood of Quebec, put aside several rivals, and inspire confidence in the PQ as a centre party dedicated to restoring prosperity and solving urgent economic and social problems.

Mr. Bourassa, re-elected to the assembly at a by-election in June, has been trumpeting that only the Quebec Liberals can bring back the prosperity of the 1960s and early 1970s, cut taxes to Ontario levels, and negotiate an honourable constitutional accord with Ottawa.

Mr. Levesque's successor will have precious little time. When the assembly closed for the summer recess, the PQ technically had a majority of one, though seven separatist members of the PQ caucus are unlikely to vote with the Liberals.

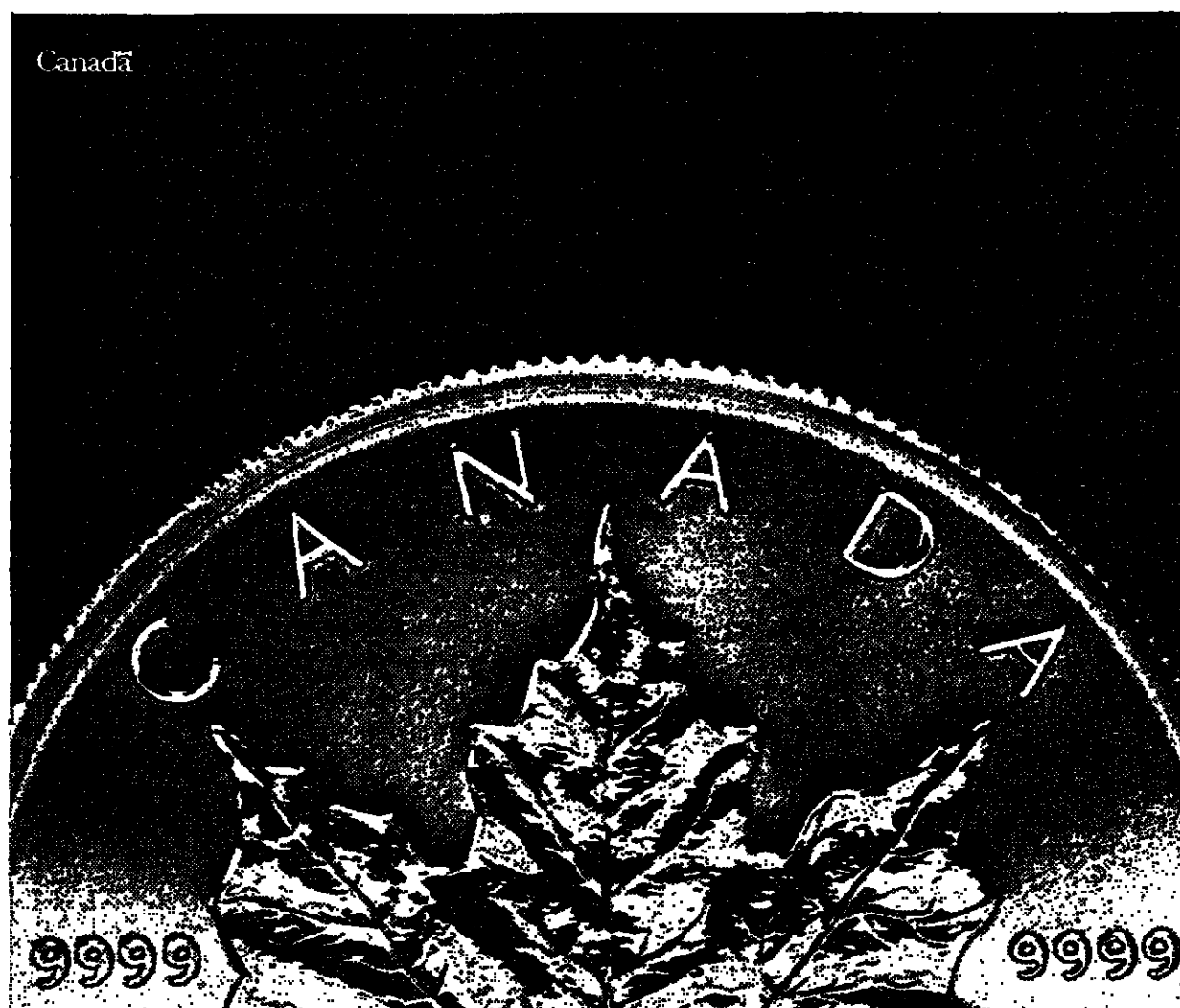
Mr. Johnson has handled three difficult ministries, including Social Affairs and Justice. He is a moderate and has been careful to avoid offending anyone—he tends to appear indecisive at times.

But many middle-class Francophones say they would prefer Mr. Johnson to Mr. Bourassa, especially if he moves the PQ away from independence and "big government." At the convention what he may lose among independents he will pick up from the centre.

When the Assembly meets in the autumn though, assuming he wins, he may find the pressures for an early election intensifying severely.

If an election were held today most observers would give the Liberals a clean sweep, even though Mr. Bourassa has not shown that he can gather together some big names for an effective government.

However, with the departure of Mr. Levesque, virtually all the major figures from two terms of PQ government have left the political stage and Mr. Johnson will also have to demonstrate that he can build an effective team.



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CANADA 8

A struggle to become Canadian

Cultural identity

W. L. LUETKENS

The trouble with Canadians is that they spend half their time convincing the Americans they're not British, and the other half convincing the British they're not Americans, which leaves them no time to be themselves.

THE STUDENT rag at McGill, the English language university at Montreal, from which that jibe is taken hits off well the more ludicrous side of the struggle for Canadian identity. It is a struggle against domination by two overpowering and closely related cultures. In one form or another, it has characterised much of Canada's cultural, political and economic life since colonial times.

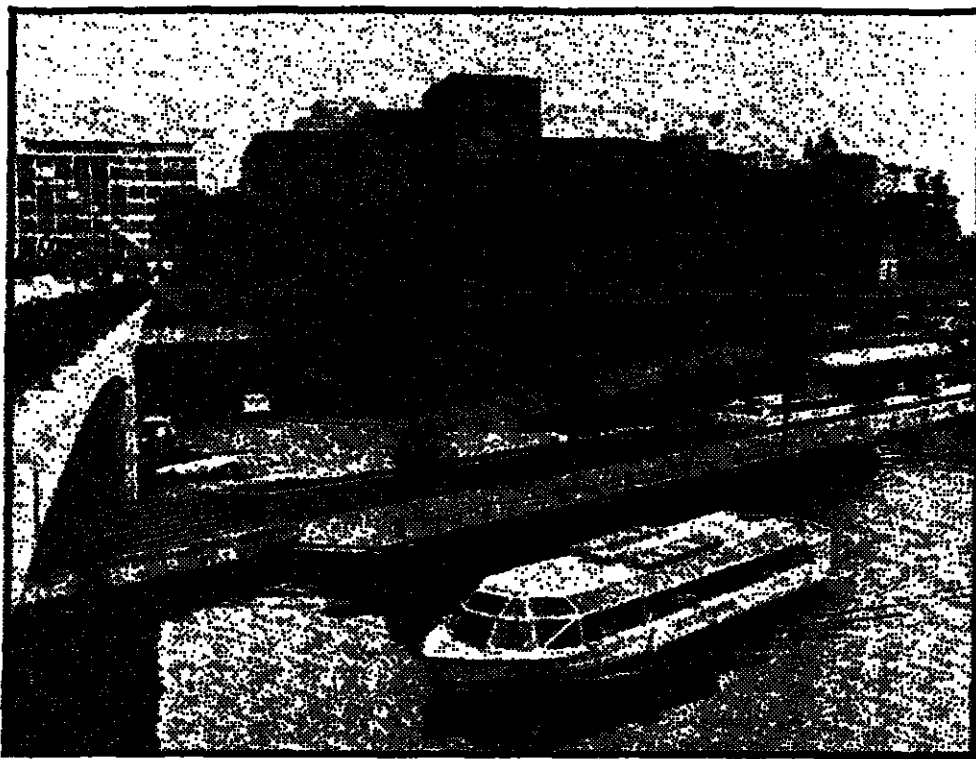
That student show was put on in 1957, before the resurgence of Quebec. Yet even then it should have been evident in Montreal that Canada is a country of French as well as English speakers.

The quebecois have just as much trouble convincing the metropolitan French that they are not Americans—and convincing Americans that they are a special breed of French. But they seem to have no trouble at all being quebecois.

That is not the full measure of the students' omissions which their successors at McGill today would find hard to repeat. Canada is also home to many tightly-knit ethnic groups—Scandinavians, Greeks, eastern European Jews, Ukrainians—who generally use English at work but who have clung to old customs and often their language with remarkable tenacity.

Amid the skyscrapers of downtown Toronto a procession and band in Chinese or Portuguese costume may look a bit forlorn, but it is not out of place. There is even a Minister of Multiculturalism in Ottawa whose job it is to support these cultural transplants.

With muffins for breakfast, bagpipe bands and St. Patrick's Day parades, the immigrant groups from the British Isles have stuck as closely as any to their ancestral habits. Of the more recent arrivals, only the Germans appear to have assimilated almost entirely into the



The National Arts Centre at Ottawa. With resident English and French language theatre companies it typifies Canadian bilingualism. The Centre also is home to an orchestra.

Anglo-Canadian pattern. The others have to a great extent resisted the tendency to go into a North American melting pot as has happened in the U.S.

Canada could never follow that example: it would destroy the Anglo-French duality which is of the essence of Canada.

Canadian unity needs to contend not only with this ethnic diversity. It is exposed also to a continuous magnetic pull from the U.S. side of the border. Most important Canadian cities are closer to a big U.S. city (and its TV stations) than to a Canadian one of equal rank. The western, central and Atlantic areas of Canada share more problems with their immediate U.S. neighbours than with their more distant Canadian fellow-citizens.

To counteract this southward pull, Canadian Governments have set up east-west lines, the chief of which are the 19th-

century railways and two creations of the 1930s: the national air line, Air Canada, and the Canadian Broadcasting Corporation (CBC).

The latter derived much of its inspiration from the British Broadcasting Corporation. It has played an honourable part in spreading literary culture in a country which was slow to emerge from colonial patterns. Moreover, it broadcast all the way across the country in both English and French, constituting some sort of a lifeline for minorities.

Before the 1939-45 war, Toronto, the largest city of English-speaking Canada, had one professional theatre offering a fare of imported U.S. shows. Now Toronto has dozens of theatre companies, mainly but not exclusively playing to small audiences, with a solid repertoire of Canadian-written plays. Canada's breed of play-

wrights was nurtured by the CBC, which gave them their first professional outlet.

More surprisingly, Winnipeg has a well-regarded ballet company and western cities like Edmonton and Calgary their professional theatres.

This account may render understandable a clutch of Canadian measures of cultural protectionism (or of protection for Canadian culture). There are, for example, minimum times during which Canadian radio and TV is expected to broadcast programmes considered to be "Canadian." Advertisers who use U.S. stations or publication to deliver their material to Canadian viewers, listeners or readers may not deduct the costs for purposes of Canadian tax.

And foreigners may be prevented from founding publishing houses or film and video businesses in Canada.

The latter restriction was retained in a revision this year of the Foreign Investment Review Act. Even though the tide is at present running against nationalism, it remains a factor not to be ignored.

There is no denying that at times it has taken absurd forms. In the early days many Canadian broadcasting stations fulfilled their Canadian content requirement by broadcasting hours of imported popular music on Canadian-played cinema organs. A tariff on records keeps Canadian pressing shops in work without doing a great deal for Canadian culture.

Canadian Actors' Equity, like stage unions elsewhere, watches jealously lest foreign actors be engaged to play parts for which, it thinks, Canadians are available. By agreement, the immigration authorities support this closed-shop system by withholding visas. But there is nothing to stop the theatrical or musical tour.

As in other countries, budgetary stringencies have reduced the flow of government subsidy to the arts. CBC is faced with the need to make staff cuts. Canada Council, which funds some 1,900 individual artists and writers and another 2,000 groups such as orchestras and theatre companies, needs to reduce expenditure this year by C\$1.1m (about £885,000) to C\$67.5m.

An interdepartmental group in Ottawa is trying to work out ways to encourage business to increase its support to the arts which, in 1982, is estimated to have come to no more than C\$10m.

It is a moot point whether protection and subsidies have produced a specifically Canadian culture. What can be said is that the parochialism of the colonial era is fast disappearing.

Writers such as Margaret Atwood and Michel Tremblay can hold their own in the larger setting of English and French as languages of world literature.

The Montreal Symphony Orchestra is among the world's best. The days are over when Samuel Butler discovered the cast of a Greek statue hidden away in a museum because it was naked and sighed his celebrated "Oh God, oh Montreal."



Sculptor Nathan Jackson at work on the 25ft totem pole.

Indians and Eskimos find their future

While Canadians of European origin struggle to maintain a separate identity in relation to their mother cultures and the huge influence of the U.S., the Indians and Eskimos of the North American region face increasing pressures on their own cultures.

One way in which centuries-old customs and ways of life are being kept alive is by encouraging artists like Nathan Jackson (above), a Tlingit Indian sculptor who travelled to London recently with other Indian and Eskimo artists, to demonstrate their craft in the Museum of Mankind.

There he carved a 25-foot high totem pole using the traditional tools of adze and knives, and a power tool. Totem poles celebrate the importance of an individual clan chief or his family through the display of crests with mythological origins.

The Indians have lived on the fringe of European influences for 300 years, trapping and hunting to supply furs to trade companies in return for tools, weapons and clothing. The price has been an increasing assimilation of their traditional lands and identity.

In the Arctic circle, the Eskimo way of life, developed over nearly 1,000 years of adaption to the hostile northern environment,

began to change with the arrival of whalers, fur traders, missionaries and the Royal Canadian Mounted Police.

The exploitation of oil, gas and mineral resources, and the siting of Noto installations in the last two or three decades has altered their life drastically.

Though Eskimos, known in Canada as Inuit, the name they give themselves, still hunt and fish using dog teams and skin-covered boats, the availability of snowmobiles and imported goods has changed everything. Most now live in settled communities, and their former harsh existence is receding into the past.

Modern habits have also brought modern disadvantages. The use of snowmobiles in the last 15 years enables large distances to be covered quickly, but a breakdown can force a hazardous 50-mile walk to safety.

These cultures, while not safe, are surviving on the fringe of the cash economy. Increasing political consciousness has led to a growing movement in support of maintaining Indian and Eskimo rights. And the Eskimo language, Inupiaq, is still widespread in some parts of the region and experiencing a revival.

MICHAEL STRUTT

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